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SESSION 1926
HOUSE OF COMMONS

SELECT STANDING COMMITTEE
ON

RAILWAYS AND SHIPPING

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 1—MAY 26, 1926

No. 2—MAY 27, 1926

WITNESS:

Sir Henry Thornton.

OTTAWA
F. A. ACLAND
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
1926

ORDER OF REFERENCE

HOUSE OF COMMONS

WEDNESDAY, May 19, 1926.

Resolved—That Rule 10 of the House of Commons relating to the appointment of the Select Standing Committees of the House be amended by adding to the Select Standing Committees of the House for the present session a Select Standing Committee on Railways and Shipping, owned, operated and controlled by the Government, to which will be referred the estimates of the Canadian National Railways and the Canadian Merchant Marine for the present session, for consideration and for report to the House, provided, however, that nothing in this resolution shall be construed to curtail in any way the full right of discussion in Committee of Supply; and that the said Committee consist of Messrs. Bell (St. Antoine), Boys, Campbell, Clark, Drayton, Dunning, Euler, Fiset, Harris, Heaps, Jelliff, Jones, Johnston, Power and Robichaud.

Attest.

ARTHUR BEAUCHESNE,
Clerk of the House.

REPORTS

HOUSE OF COMMONS

WEDNESDAY, May 26, 1926.

First Report: Mr. Euler, from the Select Standing Committee on Railways and Shipping owned, operated and controlled by the Government, presented the First Report of the said Committee, which is as follows:—

Your Committee recommends that its minutes of proceedings and evidence be printed from day to day for the use of the members of the committee and of the House and that Rule 74 be suspended in reference thereto.

Second Report: Mr. Euler, from the Select Standing Committee on Railways and shipping owned, operated and controlled by the Government, presented the Second Report of the said Committee, which is as follows:—

Your Committee recommends that it be granted leave to sit while the House is in session.

Concurrence: On motion of Mr. Euler, the First and Second Reports of the Select Standing Committee on Railways and Shipping owned, operated and controlled by the Government, were concurred in.

MINUTES OF PROCEEDINGS

HOUSE OF COMMONS

WEDNESDAY, May 26, 1926.

The Meeting duly convened for organization came to order at 11 a.m.

Members present: Messrs. Bell (St. Antoine), Campbell, Dunning, Euler, Harris, Heaps, Jelliff, Johnston, Power, Robichaud—10.

The Clerk read the Order of Reference of May 19, 1926.

The Clerk of the Committee called the meeting to order and called for nominations for the Chairmanship.

On motion by Mr. Dunning, Seconded by Mr. Jelliff, Mr. Euler was nominated. No further names being put in nomination, I declared Mr. Euler elected as Chairman.

Mr. Euler then took the Chair.

On motion by Mr. Jelliff, Seconded by Mr. Johnston, the Chairman was instructed to present a report to the House for authority to print the proceedings and evidence from day to day.

Motion carried.

On motion by Mr. Power, Seconded by Mr. Johnston, the Chairman was instructed to present a report to the House asking leave to sit while the House is sitting.

Motion carried.

The aforementioned Reports were duly presented to the House, this day, and were concurred in.

The order of business for subsequent meetings was discussed and it was agreed that on Thursday the 27th inst., Sir Henry Thornton would be asked to appear before the Committee and give a general statement respecting the Canadian National Railways, and that the estimates of the Canadian Merchant Marine and the Canadian National Railways respectively should be taken up in the order named at the subsequent meetings.

The Committee then adjourned till Thursday next at 11 a.m.

A. A. FRASER,
Clerk of the Committee.

HOUSE OF COMMONS

THURSDAY, May 27, 1926.

The meeting came to order at 11 a.m., Mr. Euler, the Chairman, presiding.

Members present: Messrs. Clark, Drayton, Dunning, Euler, Fiset, Heaps, Jelliff, Jones, Johnston, Power, Robichaud.

Sir Henry Thornton appeared before the Committee and made a general statement and answered questions relating to the operation of the Canadian National Railway and to the Annual Report of the Canadian National System for the year ending December 31st, 1925.

The Committee decided to take under consideration the Canadian Government Merchant Marine Report and Estimates, at the next meeting.

The Committee then adjourned till Friday, May 28 at 11 a.m.

A. A. FRASER,
Clerk of the Committee.

MINUTES OF EVIDENCE

COMMITTEE ROOM 425,

HOUSE OF COMMONS,

THURSDAY, May 27th, 1926.

The Select Standing Committee on National Railways and Shipping met at 11. o'clock a.m., the Chairman, Mr. Euler, presiding.

The CHAIRMAN: Gentlemen of the committee, if you will come to order, we will proceed. For the information of those who were not here yesterday, I may say that we had a meeting, purely for the purpose of organization. We obtained permission in the House yesterday to print the proceedings and evidence and to sit while the House is sitting, if it is so desired. Perhaps that will not be necessary.

I think the members of this committee are all conversant with the purpose for which this committee is appointed, not only to examine the financial statement and pass upon the estimates, but to form also some sort of, we might say, connecting link between Parliament itself and the officials of the railway. The committee are not precluded for making criticisms, but we are not here principally for that purpose, but to co-operate with the management of the railway for the best interests of the whole undertaking.

It was decided yesterday that we would not to-day go into the details of the report, but that we might have a general preliminary discussion and for that reason it was thought well to invite the president of the road, Sir Henry Thornton, here. Sir Henry (Thornton) is here, and unless other members of the committee have other methods of procedure to offer, I would suggest that we hear from Sir Henry Thornton, and ask him to give us a short review of the operations for the year. Is that agreeable to the committee?

Several MEMBERS: Carried.

Sir HENRY THORNTON: Mr. Chairman and gentlemen: I do not know that there is very much that I can say in a preliminary way of a general nature, because, practically speaking, all that I could say is already embodied in the report. The report is quite full, and quite complete,—and, incidentally, insofar as completeness is concerned, it compares very favourably with reports of privately owned railway systems; in fact, I think we probably give more detailed information, and properly so, than is generally found in such reports.

Reviewing the situation over last year; the figures speak for themselves. The gross earnings were \$9,000,000—and I am using round figures now—more than a year ago, which involved, of course, the handling of more traffic.

Sir HENRY DRAYTON: How much less than the year before that?

Sir HENRY THORNTON: Let me see. I think it was \$253,000,000, and to-day is \$245,000,000; \$9,000,000 less than two years ago. We had, of course, in 1923, a very abundant crop. The crop last year was also good, but not quite as good as the previous year.

Sir HENRY DRAYTON: Did you ever pick out the figures on the crop showing the position of more agricultural tonnage in 1924 than in 1923?

Sir HENRY THORNTON: I expect you are right there.

Hon. Mr. DUNNING: Of all agriculture?

Sir HENRY DRAYTON: Yes.

Sir HENRY THORNTON: But, at any rate, the net result was that there was an increase of approximately \$9,400,000 of gross, and an increase of \$5,600,000

[Sir Henry Thornton.]

in expenses. Of that, however, the most gratifying thing and the thing which is the most encouraging, is the reduction in the transportation expenses, amounting to \$3,600,000. Now, it does not always follow that a decrease in what we call maintenance—and I mean by that, maintenance of way and maintenance of equipment—it does not always follow that a decrease in those two items is a wise decrease. It is conceivable that reductions in maintenance expenses might involve deterioration of property, but when there is a saving in transportation expenses that is a real legitimate saving, which involves no obligations for the future.

Sir HENRY DRAYTON: Quite right.

Sir HENRY THORNTON: Therefore, I think we may all feel gratified that the actual movement of traffic was accomplished with less expense than in any previous year.

Referring to page six of the Annual Report—about the middle of the page—under the heading "Transportation Expenses," the committee will see that for every dollar of gross, or amount paid out for transportation, the expense was decreased from 48.57 in 1922 to 43.46 in 1925; that is to say, in 1925 for every dollar of gross earnings, 43.46 cents were paid for the movement of traffic. That is still pretty high. There is still a field there for reductions, but the way we shall reduce or proportionately reduce the transportation expenses will depend considerably on the increase in traffic, because, as the gross earnings increase, automatically the proportion of transportation expenses goes down.

Mr. HEAPS: What is it on the C.P.R.?

Sir HENRY DRAYTON: I have the figures here. The C.P.R. per train mile for fuel in 1924 was 37.5 as against ours of 40.2.

Sir HENRY THORNTON: That was the total transportation.

Sir HENRY DRAYTON: No, per train mile, for fuel. I will give you the details afterwards. I am giving you this because you can get a better birds-eye view of this, Sir Henry (Thornton), take not last year's figures, but the figures of 1923, because when you take the figures of 1923, you have the right to take a great deal more credit than by taking the other figures. In the first instance you have claimed that you cannot save money unless you have density and volume, while you show, as a matter of fact, that with less volume, than in 1923, there has been a saving.

Sir HENRY THORNTON: I am quite prepared to say that that is a correct statement; we compared more favourably with 1923.

Sir HENRY DRAYTON: There is a very gratifying drop there, a drop of practically \$20,000,000. You have your organization running now.

Sir HENRY THORNTON: Of course, Sir Henry (Drayton) you will recognize this at once; we hardly got going as a railway until the middle of 1923; the machinery hardly began to function until about the middle of 1923.

Sir HENRY DRAYTON: Yes, you only then began to get the benefit of your organization. I will give you the figures which Mr. Heaps wants. For 1925, for fuel on the C. P. R., the amount was 33.4, and for ours, 36.9. Now the total transportation expenses per train mile, which is really a very difficult thing to get at—

Hon. Mr. DUNNING: There is a good deal of estimating in that, Sir Henry (Drayton), of necessity.

Sir HENRY DRAYTON: It depends so much on the length of the train, and so forth; this is simply an average, that is about all there is to it. In 1924, the C. P. R. per train mile was \$1.58; ours \$1.81, and for 1925, the C. P. R. was \$1.50, and ours \$1.75; we are coming down a bit.

[Sir Henry Thornton.]

Sir HENRY THORNTON: This point must always be considered in any comparison between the operations of the Canadian National and the Canadian Pacific—and it is an important factor—the Canadian Pacific Railway was built as one entity, each member supporting the other. There was no duplication of shops, and no duplication of other facilities—

Sir HENRY DRAYTON: No duplication of your own tracks.

Sir HENRY THORNTON: No duplication of our own tracks. The parts of the Canadian Pacific Railway and additions to it were built or acquired because they supported or lent support to the rest of the railway.

Hon. Mr. DUNNING: It was a system to begin with.

Sir HENRY THORNTON: It was a system to begin with. Our railway is a collection of what you might call “fragments” extending from the Atlantic to the Pacific, many of which were built, one to compete with the other, and consequently we have a duplication of facilities. Consider, for instance, Winnipeg: we have a very large shop at Transcona; we have another shop in Winnipeg; two shops within a few miles of each other, and we acquired those shops because when we acquired those separate properties, we acquired the shops along with them. Consequently, we are not as favourably situated as the Canadian Pacific Railway. Take the C. P. R. for instance; their cost per thousand miles run of car repairs is probably the lowest on the North American continent, and has excited not only the wonder, but also the admiration of the railway men in the United States and Canada.

Sir HENRY DRAYTON: But we are getting down to that?

Sir HENRY THORNTON: We are getting down to that.

Sir HENRY DRAYTON: That is where the real trouble is.

Sir HENRY THORNTON: I am merely giving that as an illustration of how they have been able, and quite legitimately, to reduce their expenses because the railway was built as a contained system.

Sir HENRY DRAYTON: There is something there that does not help you, Sir Henry (Thornton), because, as a matter of fact, freight train car repairs, where the units are mentioned per thousand miles; for the Canadian Pacific last year was \$12.35, and for our system \$12.36.

Mr. HEAPS: Should that not be taken for a period of years?

Sir HENRY DRAYTON: It shows how they are getting it. It is a very satisfactory showing for the National system. Of course, I suppose they might say that we have more freight cars, which do not need repairs,—

Hon. Mr. DUNNING: Or that we did not repair as much as was necessary. A dozen things could be said regarding it.

Sir HENRY DRAYTON: The only thing that can be said is, from the figures that come into our report—

Sir HENRY THORNTON: Perhaps the most gratifying thing in the whole report is the fact that the transportation expenses, or cost of moving the traffic, is steadily coming down. There is still room for improvement, but I think the situation will greatly improve as we begin to function more and more efficiently.

The CHAIRMAN: Can you say anything, Sir Henry (Thornton), about how this has been obtained?

Sir HENRY THORNTON: It has been obtained by studying the movements of traffic, co-ordinating the movements of traffic, watching the train loadings, watching the car loadings, and to see that each car is loaded to its capacity as far as possible, and that each engine hauls its full load as far as possible. Constantly, opportunities are being developed for further savings. Every month we find something which can be improved upon, so that by constant vigilance and keeping a constant watch on the situation, month by month, and year by

[Sir Henry Thornton.]

year, economies are introduced, and I will say that legitimate economies are introduced, which will tend to greatly affect and improve the efficiency and the satisfactory character of the service. These are real economies.

Sir HENRY DRAYTON: On that point, Sir Henry (Thornton): I think you have improved your average loading in tons per train mile, by 3.7 per cent.

Mr. HEAPS: Of what are you speaking, Sir Henry (Drayton)?

Sir HENRY DRAYTON: The increased efficiency of 1925 as against 1924. The increase in average loading per train mile is 3.7 per cent.

Sir HENRY THORNTON: Now, the operating ratio this last year fell from 96.68 to 86.83, and I would like to tell you a very interesting thing in connection with that last figure of operating ratio. The London and North Eastern, of England, has gross earnings which approximated \$300,000,000. It is one of the four large railway systems of England, and serves a very big and important industrial district. Their mileage is about 7,000; that is to say, their \$300,000,000 gross earnings, is concentrated into 7,000 miles of line. They pay about 20 per cent or 25 per cent less wages than we do—

Mr. HEAPS: The individual wages?

Sir HENRY THORNTON: Yes; but their operating ratio last year was slightly more than ours. We had \$245,000,000 gross earnings over 22,000 miles of railway, which means less density of traffic, and pay higher wages than they pay, and yet, notwithstanding that, our operating ratio was slightly less than theirs. It makes my mouth water to think what we could do if we had \$300,000,000 gross earnings under these conditions. Of course, it is always dangerous to compare the operations of a railway in one country with the operations of a railway in another country, but still there is the outstanding fact that, notwithstanding all our difficulties, we did operate last year for slightly less than the London and North Eastern Railway of England; that bald fact stands out.

The CHAIRMAN: Do you distinguish as between operations for freight and passenger traffic?

Sir HENRY THORNTON: No, that is the total operation. They have much higher freight rates—enormously higher freight rates. That is another factor. One does not like to interject contentious points into a meeting of this kind, but the fact stands out that if the average freight rates in Canada were the same as the average freight rates in the United States, we would have had last year net earnings, not of \$32,000,000, but of \$56,000,000.

Well, Mr. Chairman and gentlemen, I do not know that there is very much I can add in the way of a general statement. As I said at the outset of my remarks, everything is here in the report; everything has been touched upon, and I can only say in conclusion that again it is a pleasure to meet this committee in the way we always have met, for the discussion of our railway problems, with a view to finding out what way is best to administer the property, to find out what mistakes have been made in the past, so that we may correct them in the future.

Mr. HEAPS: I would like to ask you a question, Sir Henry (Thornton). It was drawn to my attention a few weeks ago in connection with the railways. Can you give me a fairly approximate idea of how much government business the Canadian National Railway actually gets—take it in a general way; take the Post Office Department, for instance.

Sir HENRY THORNTON: I cannot give you those figures offhand.

Hon. Mr. DUNNING: The mail is approximately equal between the two; I have a return on that.

Mr. HEAPS: Is any mail going by other lines which could be handled by the Canadian National?

[Sir Henry Thornton.]

Sir HENRY THORNTON: I should have to answer that question "yes". I presume there are mails which move by other railways which might move by ours. On the other hand, our contention has always been with respect to our principal competitor, that we recognize we cannot have all the business, and we have asked for a share, on the proportionate basis based on a mileage percentage.

The CHAIRMAN: Have you that business?

Sir HENRY THORNTON: I don't think we have.

Sir EUGENE Fiset: I think you will find that instructions exist in every Department that the business is to be divided fairly between the two railways. The same thing applies to the movement of troops, for instance; it was divided equally between the C.P.R. and the Canadian National, and I think it also applies to the mail service.

Mr. HEAPS: I take a different view, Mr. Chairman, from that. We recognize that the people of Canada have a large interest in the Canadian National Railway, and there should not be equal treatment. I am in favour of giving a large amount of preferential treatment to the railway which belongs to the people of Canada.

Sir EUGENE Fiset: I think the mail proportion is one-third C.P.R. and the remainder Canadian National.

The CHAIRMAN: Not with regard to the Postal service.

Sir EUGENE Fiset: I am taking the general business of the Departments here.

Mr. HEAPS: We should patronize our own railway all we can.

Sir HENRY THORNTON: This discussion arose from the question as to how the business was divided between the Canadian National Railway and the Canadian Pacific. I cannot give you that figure offhand, but I can get that information fairly approximately.

The CHAIRMAN: It is true, is it not, that you had a little less postal business last year than the year before?

Sir HENRY THORNTON: That is true.

Mr. HENRY: That was due to the Post Office Department re-arranging the services, and running them more economically.

Hon. Mr. DUNNING: I got the figures a little while ago, and the division, as regards the Post Office Department, is almost exactly even; there is a little difference, but very little. I have not the figures in my head, but generally, that is the way it worked out.

Mr. HEAPS: There is a slight difference in the balance sheets, too, and if this would help to reduce the deficit—

Sir HENRY THORNTON: Certainly, we would be in favour of getting all the business if we could.

Mr. POWER: It is a question of whether it is good policy to ruin the C.P.R.

Sir HENRY THORNTON: At the same time, I have always held the position that we only wanted that business to which our service entitled us.

Mr. HEAPS: That could be stretched a long way.

The CHAIRMAN: I am inclined to agree with Mr. Heaps. It seems to me the government ought to patronize its own line. If I have a car of my own, I would not go and hire another one to take me some place.

Sir EUGENE Fiset: Then you would give government business to the C.P.R. only in the sections of the country served solely by that line?

The CHAIRMAN: Not necessarily, but wherever the public would get the best service. I would make service the prime consideration. If the C. P. R. can

[Sir Henry Thornton.]

give better service to the people, I would give it to the C. P. R., but all things being equal, we ought to favour our own road.

Mr. POWER: I think you will find that is the case.

The CHAIRMAN: I don't think so.

Mr. POWER: All right, let us bring the Deputy Minister of the Post Office Department to give us an explanation.

Sir HENRY DRAYTON: We did that for two years, and got no results.

The CHAIRMAN: Apparently we did not get results, because the National Railway got less business last year than the year before, so it seemed to have an ill effect.

Hon. Mr. DUNNING: There is this view; that the public business of the country really is a separate matter from the operation of the National Railway system. I suppose I am Minister of all the railways, not only of the Canadian National, and in all fairness, it should be said that the Canadian Pacific is a very large taxpayer in this country—in fact, I think, one of the largest we have—and I do not believe this committee would be disposed to take the arbitrary ground that wherever the Canadian National can do the business, it should be given to them, regardless of other considerations.

Mr. HEAPS: Mr. Dunning, if you had a grocery store, would you buy groceries from a competitor?

Hon. Mr. DUNNING: I think you will find the railway situation is very much more complicated than a grocery business.

Mr. POWER: If that other grocery gave me a share of its profits to help me pay the deficit in my own business, I don't see why I should kick.

Hon. Mr. DUNNING: Mr. Chairman, would it not be an advantage, instead of discussing these matters in the abstract, to get some concrete facts before us for our consideration?

Sir EUGENE Fiset: Do you think it is fair to have here only the officials of the Post Office Department? There are other factors that enter into this. Mr. Minister, do you think it would be advisable that we should call the officials of the Post Office Department, and perhaps other Departments before us, to discuss the principle upon which the business is allotted to the railways? There are a number of factors which must be considered. Three or four years ago, I think, this committee passed a resolution, or a recommendation, to give at least a proportion of two-thirds preference to the National over the other railways. I should like to know whether that has been followed by the departments. It must be taken into consideration that business is given to the railways by the other departments as well as by the Post Office Department, if you want to arrive at the amount of business obtained by the railways from the government.

Mr. HEAPS: I want them all; the business from every source.

The CHAIRMAN: I should think that what you want is the principle adopted by the government, whether they favor their own route or not. I mean in regard to what business the government has to give the railways?

Mr. HEAPS: That is right.

Sir EUGENE Fiset: I understand that they give the business in the proportion of one-third and two-thirds.

The CHAIRMAN: I do not remember hearing of that.

Sir EUGENE Fiset: I understand that these were instructions given by the Minister. I do not think an Order-in-Council was made but I think there was a circular of that kind issued to the department.

Sir HENRY THORNTON: We can get a comparison from the receipts, as between the two companies; but when you consider the three items, the post

[Sir Henry Thornton.]

office, telegraphs, and express—that covers the three large items—it is going to be difficult to get the last two, because we do not know and have no way of ascertaining how much the C. P. R. receives.

Mr. HEAPS: The Government would have that information.

Sir HENRY THORNTON: No I think not.

Hon. Mr. DUNNING: The area of competitive business is a matter really effecting it. That is, it would not give us a correct picture to get before us the total business done by each department with each Railway unless we were also informed as to the proportion of that business, which was really competitive and the proportion of it which could only be transacted with a particular railway. How to distinguish between those two factors, I do not know.

Mr. POWER: For instance, Eastern Quebec, and practically the whole of the Maritime Provinces or of Nova Scotia at least are served by the Canadian National Railway only.

Sir HENRY THORNTON: With the exception of St. John.

Hon. Mr. DUNNING: There is no way of distinguishing competitive from non competitive traffic.

Sir HENRY THORNTON: It is practically impossible. I can get you the figures of the National receipts from the Telegraph and Express. We can give our own receipts. What the C.P.R. did, I do not know. The government may have some information, but I doubt that very much. However, we will do the best we can with it.

Mr. HEAPS: There must be a great deal of government traffic on the different roads.

Sir EUGENE Fiset: We do not need to go into the details of the transactions. The general instructions given by the government in each department is all that we need to know.

Sir HENRY THORNTON: The real object of Mr. Heaps' question is to develop the principle.

Mr. HEAPS: In connection with the public utilities commission of Winnipeg, the idea was to stay with our own friends; that all things being equal we should give the preference to our own.

The CHAIRMAN: The question is whether the government should adopt the principle of favouring the National Railways, where it can do so without injury to the people in general. If they can get as good service from the National, then I agree with Mr. Heaps that I think the National ought to get the business. It is our own; but the first principle should be the service to the public.

Mr. POWER: Has the committee the power to make recommendations to the government? If it has, it is useful to investigate this question, and if not it is not.

Mr. CHAIRMAN: I think we have already in our reports made some reference to that.

Mr. HEAPS: Can we check up what has been done by the committee in the past and obtain what information there is on this question.

The CHAIRMAN: Yes, you will find that all in the printed reports.

Mr. JELLIFF: I think we made a report on that two years ago.

Sir HENRY THORNTON: I think the committee made a recommendation on Mr. Heaps' suggestion last year.

The CHAIRMAN: I do not think that we went so far as that. We wanted the matter gone into with respect to the mails. We did not have the other railways before us, but certainly we had the man particularly charged with the mail business two years ago.

[Sir Henry Thornton.]

Mr. JELLIFF: We had a statement in the house two years ago. That will be found in Hansard.

The CHAIRMAN: We do not want to expose ourselves to the fair objection made by the Post Master General, that if the matter is to be discussed he has a perfect right to be represented here and to present his side of the case. That is quite right but it does not prevent us from discussing the principle as to what policy ought to be followed. The government might not accept it, but Mr. Heaps and some others may feel that that should be gone into.

Sir HENRY THORNTON: I suppose the committee has authority to make any kind of recommendation it wants about anything relating to the railways, has it not?

The CHAIRMAN: We can. They do not adopt our report anyway. It is merely presented.

Mr. HEAPS: Has not this committee the right to look into the railway situation and make recommendations? If not, it might as well go out of business.

The CHAIRMAN: You may as well dismiss that thought. We have the right to discuss anything we wish with regard to the Railways, and make our report. As I said, the report is presented and laid on the table. We do not move the adoption of the report, because the report includes the recommendation to accept the estimates. That is really a matter for the Minister of Railways. He brings in his estimate and he moves for their adoption. We merely file our report.

Mr. HEAPS: Is it not discussed?

The CHAIRMAN: It is discussed, but we do not move for its adoption.

Hon. Mr. DUNNING: The motion of the committee of supply is in effect, but the complaint I have received is from the other source, that the government has given so much of its business to the C.N.R. as to constitute discrimination against the C.P.R.

Sir EUGENE Fiset: And you find a response to that in every department.

Mr. JOHNSTON: Coming back to the individual, each minister of the government looks after his own business. If he wanted to turn a greater percentage to the National he could; if he did not, he might find a good reason or excuse to turn it to the Canadian Pacific.

Hon. Mr. DUNNING: The area in which discrimination can be shown is manifestly the area of competitive business.

Mr. HEAPS: That is the greater area, is it not?

Hon. Mr. DUNNING: No, the great bulk of the business is of itself non-competitive.

Mr. JELLIFF: You can find all kinds of recommendations in our reports.

Hon. Mr. DUNNING: To illustrate the difficulty a minister might have; a large proportion of the freight which is connected with the department of Railways and Canals, has to do with contracts entered into by the Department. For instance, the contract is let on the Welland Canal, which involves the movement of large amounts of cement and that sort of thing, in some cases by the department, in which case the freight routing is under the control of the department. In other cases the contractor is supplying the materials which he needs. It is difficult to say to the contractor that regardless of the service conditions, and so forth, he is restricted in the movement of supplies for this government work and that shipments must be made over the Canadian National. That is a practical matter of operation. All you can do is to lay down the general principle that we should do the best we can by our own. And that is really what you are doing.

[Sir Henry Thornton.]

Mr. POWER: We could place a clause in the contract, that any contractor building, say the Hudson Bay Railway, must carry his material over the National.

Hon. Mr. DUNNING: He has to in that case.

Mr. HEAPS: He would have a choice if he were shipping from Montreal.

The CHAIRMAN: We discussed this in the session of 1923 and a report was made as to the items considered on page five, namely mileage and revenue expenses. The increase in mail service was distributed through a rearrangement of rates. We had a lot of discussion on it at that time and there was a difference of opinion in the committee, and I am not sure that we made a definite recommendation—I do not think we did—that the government should adopt the principle of always favouring the National.

Mr. POWER: There was a resolution on the order paper last year, or the year before, and it was discussed. The Postmaster General made a statement, and, I think Mr. Campbell read the resolution. Someone had a resolution anyway and the matter was thoroughly discussed in the house.

The CHAIRMAN: I would not make the comment now, but it seems rather peculiar that the mail business should be less last year than the year before.

Sir HENRY THORNTON: I think what will happen is that after you get the details of this, you may want to ask the Post Office department some questions.

Hon. Mr. DUNNING: This committee can summon before it any deputy minister to give information with respect to the amount of business his department gives to this railway and the other.

Mr. POWER: I think Mr. McNab is the officer in the post office department who is charged with the business given to the Railways.

Sir EUGENE Fiset: We could have a report on this; since the Canadian National Railway was organized, have any instructions been given by the Privy Council to the different departments concerned as to the amount of business to be given to the C.N.R. and the amount to be given to the C.P.R. I am sure these instructions exist.

The CHAIRMAN: I think perhaps this will come out better when we take up the items of the report. Are there any other general questions that the committee desires answered? If not, I think we might arrange to meet either to-morrow or next week.

Mr. JELLIFF: Are we not going to take up the Merchant Marine to-day? If not, why should we not go on with it this week.

The CHAIRMAN: We could go on with the Merchant Marine and get that cleared away. Will someone make a motion as to when we shall meet and as to what we shall discuss? I would suggest to-morrow morning at 11 o'clock to discuss the Merchant Marine. Will you move that Mr. Power?

Mr. POWER: Yes, I move that we meet to-morrow morning and discuss the Merchant Marine.

The CHAIRMAN: Then it is moved by Mr. Power, seconded by Mr. Jelliff; that the committee meet to-morrow morning at eleven o'clock for the purpose of discussing the Merchant Marine.

Motion agreed to.

The committee adjourned until Friday 28 May, 1926, at 11 a.m.



SESSION 1926
HOUSE OF COMMONS

SELECT STANDING COMMITTEE

ON

RAILWAYS AND SHIPPING

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 3—MAY 28, 1926

WITNESSES:

Sir Henry Thornton, President, C.N.R.
R. B. Teakle. General Manager, Merchant Marine.
J. P. Doherty, Traffic Manager, Merchant Marine.

OTTAWA
F. A. ACLAND
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
1926

ORDER OF REFERENCE

HOUSE OF COMMONS

WEDNESDAY, May 19, 1926.

Resolved—That Rule 10 of the House of Commons relating to the appointment of the Select Standing Committees of the House be amended by adding to the Select Standing Committees of the House for the present session a Select Standing Committee on Railways and Shipping, owned, operated and controlled by the Government, to which will be referred the estimates of the Canadian National Railways and the Canadian Merchant Marine for the present session, for consideration and for report to the House, provided, however, that nothing in this resolution shall be construed to curtail in any way the full right of discussion in Committee of Supply; and that the said Committee consist of Messrs. Bell (St. Antoine), Boys, Campbell, Clark, Drayton, Dunning, Euler, Fiset, Harris, Heaps, Jelliff, Jones, Johnston, Power and Robichaud.

Attest.

ARTHUR BEAUCHESNE,

Clerk of the House.

REPORTS

HOUSE OF COMMONS

WEDNESDAY, May 26, 1926.

First Report: Mr. Euler, from the Select Standing Committee on Railways and Shipping owned, operated and controlled by the Government, presented the First Report of the said Committee, which is as follows:—

Your Committee recommends that its minutes of proceedings and evidence be printed from day to day for the use of the members of the committee and of the House, and that Rule 74 be suspended in reference thereto.

Second Report: Mr. Euler, from the Select Standing Committee on Railways and Shipping owned, operated and controlled by the Government, presented the Second Report of the said Committee, which is as follows:—

Your Committee recommends that it be granted leave to sit while the House is in session.

Concurrence: On motion of Mr. Euler, the First and Second Reports of the Select Standing Committee on Railways and Shipping owned, operated and controlled by the Government, were concurred in.

FRIDAY, May 28, 1926.

Third Report: Mr. Euler, from the Select Standing Committee on Railways and Shipping owned, operated and controlled by the Government, presented the Third Report of the said Committee, which is as follows:—

The attention of your Committee having been drawn to the omission of the interim supply voted by Parliament during the present Session, of any part of Items 372 and 373, of the Estimates 1926-27 respecting loans to the Canadian National Railway and the Canadian Government Merchant Marine, Limited;

Your Committee therefore recommends that Parliament grant as interim supply the sum of \$10,000,000 of the said Item 372 and the sum of \$200,000 of the said Item 373.

MINUTES OF PROCEEDINGS

HOUSE OF COMMONS

May 28, 1926.

The Committee came to order at 11 a.m., Mr. Euler, the Chairman, presiding.

Members present: Messrs. Bell (St. Antoine), Clark, Drayton, Dunning, Euler, Fiset, Heaps, Jelliff, Jones, Johnston, Power, Robichaud.

Sir Henry Thornton, President, R. B. Teakle, General Manager, Canadian Government Merchant Marine, Ltd., and J. P. Doherty, Traffic Manager, appeared before the Committee, offered explanations and answered questions in respect to the operation and finances of the Merchant Marine.

On motion by Mr. Fiset, seconded by Mr. Drayton, the chairman was instructed to report to the House recommending that in view of the omission by the House in voting interim supply to vote any part of Items 372 and 373 of the Estimates 1926-27 respecting loans to the Canadian Nationals and Merchant Marine, that the House should vote as interim supply the sum of \$10,000,000 of Item 372 and the sum of \$200,000 of Item 373.

The Committee decided to meet on Tuesday, Wednesday, Thursday and Friday of the following week.

The Committee then adjourned till 11 a.m. Tuesday, June 1, 1926.

A. A. FRASER,
Clerk of Committee.

MINUTES OF EVIDENCE

COMMITTEE ROOM 429

HOUSE OF COMMONS,

FRIDAY, May 28, 1926.

The Select Standing Committee on National Railways and Shipping met at 11 o'clock a.m., the Chairman, Mr. Euler, presiding.

The CHAIRMAN: We are proceeding this morning with the report of the Canadian Government Merchant Marine, and I presume we might, as we have done in other years, have a general statement either from the President or from the Manager.

Sir HENRY THORNTON: Well, if nobody objects, I will read my speech. (Reading.) The accompanying financial statement gives full details of the results of operations, with the consolidated balance sheet. Some of the principal reasons for the adverse balance sheet are as follows: losses were incurred last year and were inevitable owing chiefly to continued depressed world trade conditions, and poor freights, which has made difficult, if not impossible, the profitable employment of cargo tonnage. High operating costs of the steamers have also contributed to unfavourable voyage results, as many items such as port charges, dock dues, stevedoring, etc., still continue high, and are more expensive than formerly. Despite these drawbacks and disadvantages, however, the operating loss for 1925 was \$492,826 less than in 1924, and it is recalled that the operating loss for 1924 was \$423,412 less than 1923, so that there has been a steady and satisfactory improvement.

It is desired to make it perfectly clear that while the operating deficit for 1925 was \$948,053, this applied to the calendar year, and that for the fiscal year ending March 31, 1926, we will not exceed the \$600,000 voted by Parliament to cover the operating loss which we estimated for the period April 1, 1925, to March 31, 1926.

It is also gratifying to be able to record that a steady reduction in operating losses still continues. The comparative statement of revenues and expenditures for the quarter ending March 31, 1926—"and this is interesting—" shows an increase in gross revenue of \$396,973, with reduced expenses of \$28,562, or a better showing of \$425,535 for January, February and March, 1926, as compared with the corresponding months of 1925.

Mr. JELLIFF: Will you read that over again, Sir Henry (Thornton)?

Sir HENRY THORNTON: Which one?

Hon. Mr. DUNNING: The comparison of this year with last year.

Sir HENRY THORNTON: (Reading) "It is also gratifying to be able to record that a steady reduction in operating losses still continues. The comparative statement of revenues and expenditures for the quarter ending March 31, 1926, shows an increase in gross revenue of \$396,973, with reduced expenses of \$28,562, or a better showing of \$425,535 for January, February and March, 1926, as compared with the corresponding months of 1925."

Now, let me supplement that statement with this, (indicating) which has just come to hand. This statement that I am about to give you now includes the actual results up to the 1st of May, and May itself included, but estimated. May, however, is nearly over, and therefore, you may take it that the inclusion of the estimates for May in the first four months will be a very accurate statement—within a few dollars of the actual position.

The CHAIRMAN: For the first five months, including May!

Sir HENRY THORNTON: January, February, March, April and May—five months. That result shows this. The gross revenue for those five months was \$4,493,000—I will give it to you in round figures—an increase of \$730,500. The total expenses for that period were \$4,431,000, an increase of \$75,000, over last year, and the net result is an operating profit for the first five months of this year of \$62,000 as compared with an operating deficit last year, for the same period, of \$593,000, or an improvement for the first five months of \$655,000.

Sir HENRY DRAYTON: Is there any special consideration coming from that, or can we look on that as a satisfactory characteristic growth?

Sir HENRY THORNTON: There is nothing abnormal in that. My own estimate—for what it is worth—is that that favourable condition will accentuate itself throughout the rest of the year, and I think in succeeding years, unless we meet with some national disaster of some sort, or something which materially slows up the wheels of international trade.

Mr. JELLIFF: You say there is nothing abnormal in that?

Sir HENRY THORNTON: No, there is not; it is just a steady healthy improvement in what might be called world trade conditions.

(Reading continued): The aforementioned improvement in operating results was brought about as a result of carefully watching expenditures, both ashore and afloat, and effecting changes in our schedules for steamers, particularly in trades like Australia, so as to keep pace with the requirements of such trades, which improved the steamers' earnings. In addition to watching expenditures, economies were effected wherever possible, consistent with maintaining the steamers in the best state of efficiency and repair, to maintain the highest classification for the vessels. The steamers of the fleet have continued to cultivate and promote a healthy growth of Canadian trade and commerce. As an indication of the continued depressed state of the shipping industry, the following comments are submitted: in the report of the operations of Lloyd's Register for 1924-25, the committee say that the depression which has affected the shipping industry for several years continued during the past twelve months, and was still unrelieved by any prospect of improvement in the near future. In some important aspects, the present was unquestionably the most serious depression in living memory—"I am quoting now from Lloyd's Register; not giving my own opinion.

Sir HENRY DRAYTON: What year is that?

Sir HENRY THORNTON: 1924-1925,—last year. (Reading): "On the one hand there was a large amount of surplus tonnage brought into existence under the compelling influence of war, and not merely to meet ordinary commercial requirements, and on the other hand, there was a serious shrinkage in the volume of the world's ocean trade as compared with pre-war times. These conditions had combined to reduce freights below a paying level, but had failed to bring a corresponding reduction in the costs of the production and operation of ships.

"Lord Inchcape, one of the foremost shipping authorities in the world, in his annual address to the Peninsular and Oriental Steamship Company, went so far as to say that the past year was the worst shipping ever experienced, owing to high operating costs, heavy dock and labour charges, shortage of cargo, and low rates of freight, the cumulative effect of which has been disastrous."

I think I may omit other similar statements from shipping authorities—

Mr. JELLIFF: Have you yet experienced any results from the general coal strike in England?

Sir HENRY THORNTON: No.

Mr. TEAKLE: We have not come to that yet. We had some ships slightly delayed, but nothing very serious so far.

Mr. HEAPS: You mentioned there, Sir Henry (Thornton) about low freight rates?

Sir HENRY THORNTON: Yes.

Mr. HEAPS: There are quite a number of members of the House who feel that the rates are too low already.

Sir HENRY THORNTON: That is not an unusual experience.

Mr. HEAPS: I am not suggesting that it is.

Sir HENRY THORNTON: Please understand that I am not giving my personal opinion. I am quoting from the reports of eminent shipping authorities. I suppose everyone thinks everything is a little low. The general drift of these various opinions—all of which, incidentally, are British—is to complain about no abundance of tonnage, and poverty of traffic, all of which, in the last analysis, has grown out of war conditions which have made it impossible for international trade to recover from the effects of the war. Notwithstanding that, however, we last year improved our position by approximately half a million dollars, and for the first five months of this year you will see that substantial progress has been made, and, as I have already said, I think that condition is more likely to me accentuated in the future than to be discounted.

Briefly, that represents the general position with respect to the Merchant Marine.

There is perhaps another point to which I might refer, and that is, that since 1923 there have been sold fifteen ships, varying in tonnage from 2,776 tons to 4,000 tons, most of them being between 3,400 and 3,700 deadweight tons. Those ships were sold at varying prices, and we have got the deadweight price per ton for each ship, which can be given to you if you like. Suffice it to say that in parting with these ships, we only sold them at prices which compared favourably with the general market prices existing at that time for that particular kind of ship. I mean to say this: that if anyone else had gone into the market as a purely business proposition, and tried to sell these ships, they would not have obtained any higher price per deadweight ton. The ships which we sold were those which we were unable to use with any degree of profit, in our own service, and for which we anticipated no immediate present use.

Mr. JELLIFF: Can you give us the prices for which you sold those ships?

Mr. POWER: Could you give us the price as compared to the cost?

Sir HENRY THORNTON: I have the sale price, the deadweight tonnage, and the sale price per deadweight ton, and I think the simplest thing would be to add to that the cost price, and I can submit this list to each member of the committee if you would like to have it.

Hon. Mr. DUNNING: If it goes into the record, it will be printed, and each member will have it?

Sir HENRY THORNTON: It is just as the Chairman would have it.

The CHAIRMAN: It might as well go into the record.

Mr. HEAPS: I think that has been in the record of the House.

Mr. JELLIFF: Have you the original cost there?

Sir HENRY THORNTON: No, I will add the original cost, and it can all go into the record.

Mr. JELLIFF: Does the name of the purchaser appear there too, Sir Henry (Thornton)?

Sir HENRY THORNTON: No, but that can also be added.

Mr. TEAKLE: I think practically every one of these have been submitted in answer to questions in the House. I think every ship purchased is on record in the House.

The CHAIRMAN: You have sold those you considered not suitable at the present time?

Sir HENRY THORNTON: Yes; I do not know of any we want to part with now.

Mr. POWER: What about the ships I notice here as being tied up?

Sir HENRY THORNTON: There are five tied up now.

Mr. POWER: Do you want to get rid of those, or keep them as ornaments?

Sir HENRY THORNTON: No, we want to keep those. You know you cannot skin yourself down to the last pound. Is it understood, Mr. Chairman, that we will add to this statement two other columns, the original cost and the purchaser?

The CHAIRMAN: Yes.

Mr. TEAKLE: We had the *Canadian Gunner* and the *Canadian Beaver*, both at Halifax. They are 3,750 tons deadweight. We have the *Canadian Voyager* and the *Canadian Trooper*, what we call the 4,300 type, and the *Canadian Settler*, a 5,100 ton type boat.

Mr. POWER: Where are they?

Mr. TEAKLE: At Halifax.

Mr. POWER: All at Halifax?

Mr. TEAKLE: Yes.

Mr. POWER: What are they suitable for?

Mr. TEAKLE: They are practically all for the coastal trade; they are too expensive to operate on a long voyage.

Sir EUGENE Fiset: What is the procedure in offering the ships for sale? Do you advertise them at all?

Mr. TEAKLE: They were all advertised.

Sir HENRY THORNTON: All of these ships we have sold were advertised, and I think all were sold on tender.

Mr. TEAKLE: Tenders were called for, but they were not satisfactory. The vessels were practically sold at private sale.

Major BELL: There is an Order in Council which provides that each sale be advertised first.

Sir HENRY THORNTON: They were all put up for tender, and none of the tenders were satisfactory. They were all poor tenders, so we left it stand, and from time to time as we found a purchaser who looked likely, we negotiated with him and closed with him if the price was satisfactory.

Mr. JELLIFF: What were generally the terms of sale?

Sir HENRY THORNTON: Ordinarily, it was twenty per cent cash, and an arrangement made with the purchaser covering a period of years.

Mr. JELLIFF: When the sales were made, did the government release the notes originally given on them?

Sir HENRY THORNTON: Yes, they had to.

Sir HENRY DRAYTON: How does that leave that account now? We had, I think, \$800,000 or \$1,200,000 two years ago—I forget which it was.

Major BELL: It was written off the Dominion account.

Sir HENRY DRAYTON: How much was that, Mr. Henry? You know that. What did we have two years ago?

Mr. HENRY: I don't recall, Sir Henry (Drayton).

Sir HENRY THORNTON: Well, that is the first time you don't recall.

The CHAIRMAN: That is certainly unusual.

Sir HENRY DRAYTON: Can you give us that figure?

Sir HENRY THORNTON: We can easily get it.

Major BELL: It would be the difference between the cash price and what they originally cost.

Sir HENRY DRAYTON: Before, we were going to have them as the nucleus for some new boats on the West Indies trade. You wanted those badly two years ago.

Sir HENRY THORNTON: We still want them.

Sir HENRY DRAYTON: But the nucleus has now disappeared.

Sir HENRY THORNTON: Yes.

Major BELL: You cannot use the money you got for these boats without the authority of Parliament.

Hon. Mr. DUNNING: It would have to be revoked.

Sir HENRY DRAYTON: It has gone—

Hon. Mr. DUNNING: "Gone" is hardly the right word. It has gone back to the Dominion Government; we got the money for them.

Mr. JELLIFF: You say twenty per cent was paid in cash? How was the balance secured?

Sir HENRY THORNTON: By notes, and, of course, a mortgage on the vessel. The equity in the vessel was the additional security, and the usual terms under which the purchaser kept up the insurance and repairs and all that sort of thing, and made his payments from time to time as they fell due.

Mr. JOHNSTON: That would be a deferred payment plan?

Sir HENRY THORNTON: Practically twenty per cent down, and deferred payments after that.

Sir HENRY DRAYTON: And I suppose the usual mortgage on the boat?

Sir HENRY THORNTON: Yes.

Mr. JOHNSTON: Were the deferred payments made by the purchaser?

Sir HENRY THORNTON: All except in one case. In one case, I think, the purchaser fell down, and we took the note back.

Sir HENRY DRAYTON: Sir Henry, referring to what you wanted two years ago, when we discussed the moneys we had on hand from insurance and so on, as in case of future purchases of boats, treating it as a company which had just so much money with which to operate; as I recollect, you desired boats with proper cold storage to handle the West Indies business. With two extra years experience, were you right or wrong in wanting those boats.

Sir HENRY THORNTON: I think I was right, and I should be even more emphatic than I was two years ago.

The CHAIRMAN: Is that on account of the West Indies Treaties?

Sir HENRY THORNTON: Partly that, and as far as I am concerned, a greater faith in the West Indies trade.

Sir HENRY DRAYTON: It is two years ago and your reasons then were that while you had worked up a fairly good trade, in your view it was nothing to what could be done had you proper facilities to offer the business.

Sir HENRY THORNTON: That is right.

Sir HENRY DRAYTON: Your emphasis being particularly strong upon those cold storage requirements for tropical countries, which seemed to me, I might say eminently reasonable.

Sir HENRY THORNTON: Yes, you would hardly put in a heating plant to carry bananas from Jamaica to Halifax.

Mr. JELLIFF: Did your West Indies Trade increase materially last year?

Sir HENRY THORNTON: Mr. Jelliff has touched upon a point in connection with the profits of different voyages, and I would say that it is essential in the interests of the company and the Merchant Marine that that information should be given privately. We can show it to you but I do not want to draw attention to any particular trade route that we are serving which is highly profitable.

Mr. CLARK: The information has been given in the past with regard to the profits made on the Pacific coast shipping. I was just about to ask you a question now as to a comparison between the profits made on the ships operating on the Pacific and those operating on the Atlantic, and I think the Committee should have this information.

Sir HENRY THORNTON: I think you should, and I want you to have it, but I do not want to give away what few good lines we have got and have some

competitor come in and take the traffic away from us. I will be very glad to give this information to any member of the committee privately. I hope you will understand the reason for this.

Sir HENRY DRAYTON: Perhaps this will meet the case. The trade that Mr. Clark is interested in I suppose is the Pacific Coastal trade.

Mr. CLARK: Yes.

Sir HENRY DRAYTON: Two years ago we were considering something like a forward movement in connection with the fleet, and your view then was that a satisfactory showing had been made there, and that while you wanted two boats for the West Indies, you wanted one extra boat for the Pacific.

Sir HENRY THORNTON: Yes.

Sir HENRY DRAYTON: And I suppose that is still your view.

Sir HENRY THORNTON: Yes. I may say to General Clark that we have got one trade route on which I know perfectly well, if the particulars of our business on that route were broadcasted, we would have a competitor in three months' time.

The CHAIRMAN: We have had that in mind at previous meetings. There is no disposition to withhold any information at all, but I think the members of the committee will realize the propriety of not giving away details which might be prejudicial to the business.

Sir HENRY THORNTON: I can refer to a case that occurred within the last week, and I know it is being watched closely.

Mr. HEAPS: No private corporation would give away details of that kind and I do not think we should expect it from the management of the Merchant Marine.

Sir HENRY THORNTON: If any member wants details I will be glad to give them.

Mr. BELL (St. Antoine): The ships are incorporated, I understand, as private companies.

Sir HENRY THORNTON: Each ship is a separate company.

Mr. BELL (St. Antoine): It would be possible to look into the profits of each ship would it not?

The CHAIRMAN: That is impossible.

Mr. BELL (St. Antoine): I suppose these ships go on different routes.

Sir HENRY THORNTON: Yes, we have different trade routes. Eleven.

Mr. BELL (St. Antoine): It would be hard to ascertain which is profitable and which not, unless you took it by the voyage.

Sir HENRY THORNTON: I can give any individual member of the committee any information that he wants, but do not ask me to give away what we are making some money out of.

Mr. BELL (St. Antoine): Not at all.

Mr. CLARK: What lines have you now with the West Indies?

Sir HENRY THORNTON: You had better explain to General Clark just what the West Indian Service is, Mr. Teakle, in detail.

Mr. TEAKLE: The West Indian service, as we are operating it, consists of a ten day service out of Montreal in the summer time and a fortnightly service out of Halifax and St. John in the winter time, to Antigua, St. Kitts, Barbados, Trinidad, and Demerara. On the western route we have a service every three weeks to the Bermudas, Jamaica and British Honduras. We divide them into the eastern, which takes in the Leeward and Demerara; and the western which takes in Jamaica and Belize.

Mr. CLARK: Have you any service between Vancouver and the West Indies?

Mr. TEAKLE: Not at the present time.

Mr. CLARK: Have you any service between Vancouver and the Fiji Islands.

Mr. TEAKLE: No.

Mr. CLARK: Have you any cold storage, in any of the ships, for the carriage of fruits, such as bananas.

Mr. TEAKLE: No.

Mr. POWER: While you want more ships on the West Indies lines, according to your statement, the two ships that are operating there now are operating at a loss because they are not suitable.

Sir HENRY THORNTON: There are two aspects to the West Indian trade. One route pays and the other does not.

Mr. POWER: You state that the West Indies Passenger service, established at the request of the government, in compliance with the Canadian West Indies trade agreement still continues, as originally anticipated, to be operated at a loss. Is that because the ships are not fitted for that trade?

Sir HENRY THORNTON: The ships, Mr. Power, are quite unsatisfactory for the trade. They are not modern passenger ships, and we feel that if we had suitable accommodation there we could improve that situation.

Mr. JELLIFF: Have you taken any steps either to build or secure ships?

Sir HENRY THORNTON: No.

Sir HENRY DRAYTON: I suppose you have to get authority from the government first.

Sir HENRY THORNTON: In this instance, yes.

Sir HENRY DRAYTON: In some instances you manage to beat them to it?

Sir HENRY THORNTON: I have not found any tendency to that recently. We always try to keep within the rules of the game, but as long as we can win under the rules, there is no reason why we should not.

Hon. Mr. DUNNING: Sir Henry, one member of the house has insistently questioned me regarding the cattle business, and I undertook to bring the matter before this committee when the officials of the merchant marine were here. That is Colonel Mullins. He is very much interested in that matter, and he wants to know, briefly, if we are in the cattle business, and if not, why not? And if we are not in it, why don't we go into it and reduce the rate from \$20 to \$15. That, briefly put, is Mr. Mullins' question, which he desires discussed.

Sir HENRY THORNTON: Would you like a sermon preached on that particular question this morning? If so, we will.

Hon. Mr. DUNNING: It is a matter that I think a number of the members of the committee will want examined because of the insistence with which the member mentioned has raised the matter, and also because it is of general interest.

The CHAIRMAN: If you want to answer that you may.

Mr. POWER: Why not wait until Colonel Mullins comes?

The CHAIRMAN: He is not on the committee.

Mr. HEAPS: Yesterday, you extended an invitation for him to be present. The committee was called for eleven and it is now twenty-five minutes to twelve.

Hon. Mr. DUNNING: I did not ask him specifically for to-day, but in view of the general interest and the possibility that we might not be dealing with the Merchant Marine in the future, I think it might be discussed now.

Mr. CLARK: Perhaps the clerk of the committee might telephone him.

Mr. POWER: While we are waiting for Mr. Mullins, would you tell us whether or not any of your boats are engaged in the coal trade.

Sir HENRY THORNTON: Where?

Mr. POWER: Anywhere in the coal trade.

Sir HENRY THORNTON: Mr. Teakle, will you tell Major Power about the coal trade.

Mr. TEAKLE: We are not carrying coal, except as occasion offers from South Wales in our Cardiff-Swansea service.

Mr. POWER: None from Sydney to the St. Lawrence.

Mr. TEAKLE: No.

Mr. POWER: Why not?

Mr. TEAKLE: Because we are operating overseas and coastal, and the rates that we could get for carrying coal from Sydney to Montreal would not pay us; we could not come out on that.

Sir HENRY THORNTON: Is that not adequately taken care of.

Mr. TEAKLE: Yes, the Dominion coal company have their own boats.

Mr. POWER: You could not compete with them.

Mr. TEAKLE: No. If their ships are not sufficient they charter a Norwegian to supplement what they have got, at very low rates.

Mr. POWER: What about the grain trade?

Mr. TEAKLE: We carry grain on the Atlantic and also on the Pacific.

Mr. HEAPS: And the coal you get from Wales is a return cargo.

Mr. TEAKLE: Yes, part return cargo at least.

Mr. JELLIFF: The matter of return cargoes seemed to be our difficulty in the past. Has there been any improvement in that situation.

Mr. TEAKLE: A slight improvement, Mr. Jelliff.

Mr. POWER: On account of the greater use in Canada of Welsh coal?

Mr. TEAKLE: Not necessarily. It is a slight improvement in trade, and as the president has intimated, a readjustment of schedules and working up of trade, and the better support of the people of Canada to the fleet.

Mr. HEAPS: What are the relations now between the employees of the Merchant Marine and the management.

Mr. TEAKLE: The very best, as far as I know.

Mr. HEAPS: Was there not some trouble about a year ago at Vancouver.

Mr. TEAKLE: No, I do not recollect it. From time to time you will get a man who thinks he has been badly treated, or something of that sort.

Mr. HEAPS: I do not refer to any individual case, but in a general way I understand there were some rather serious complaint that I read of in connection with some of the boats sailing out of Vancouver.

Mr. TEAKLE: We have no serious trouble on the Pacific coast. We adjusted some officers' wages.

Sir HENRY THORNTON: That question of officers' wages was adjusted to the satisfaction of the officers?

Mr. TEAKLE: Yes, quite. There was no absolute complaint or trouble. If a request comes along we take that in the ordinary day's work.

Sir HENRY THORNTON: When a proposal is made there is always a discussion and there was some discussion with respect to officers' wages. I think it was a question of rating them with the engineers, and that was adjusted to the satisfaction of the complainants.

Mr. HEAPS: I thought it was some trouble in regard to conditions on board the ships sailing out of that port.

Sir HENRY THORNTON: I do not know of any.

Mr. TEAKLE: Once in a while you will get a complaint from some man who thinks he is badly treated, but when you sift it down you will find that the man was never so well treated in his life. There is a case on the Atlantic where a man thinks he is badly treated and I have that up before the shipping master. We do not neglect matters of that sort.

Mr. HEAPS: I am not referring to individual cases. I know things happen anywhere and everywhere.

Sir HENRY THORNTON: As far as we know, the relations between those who are employed in the Canadian Merchant Marine and the Administration are cordial and friendly. Of course there will always be discussions from time to time.

Mr. POWERS: May I ask Mr. Teakle if the complaints which were made at one time, two or three years ago, to the effect that most of the officers were of British birth, and that Canadian officers did not obtain the opportunity to rise to higher positions, has now disappeared? I am told that there has been a material improvement in that respect and I would like to know if you have any figures to give us with regard to the officers of your line.

Mr. TEAKLE: I have no figures, but I have the question seriously at heart and it may interest the committee to have a brief outline. When we took over the fleet in 1919 we were absolutely stripped of anything that looked like sailors, master mariners, or engineers. We naturally had to look to the old land. A number of those men have become Canadian citizens. We then instituted, in conjunction with the Canadian naval training companies, a system of apprentices. We have always favoured, and we are always anxious to get Canadian officers and men and to-day we have in our own fleet junior officers, whom we have ourselves trained as apprentices. You will realize that in taking over 63 ships it was not a small proposition to man them and we had to do the best we could. Whenever we can get a Canadian officer, either deck or engine room, we want him.

Mr. POWER: What is the position at the present time?

Mr. TEAKLE: The majority to-day are Canadians. I would hazard the opinion that we are at least 80 per cent Canadian. That is only an opinion.

Mr. POWER: Is that the junior officers?

Mr. TEAKLE: Through the fleet. The sailors, firemen and deck men we cannot keep track of. But the certificated officers I am willing to chance a guess that we have 80 per cent Canadians. One of our junior officers is a senator's son.

Sir HENRY THORNTON: Be careful, or we will have a senatorial investigation.

Mr. TEAKLE: I just want to answer Mr. Power, that I personally am taking a keen interest in the junior officers.

Mr. POWER: I have a son who might consider the employment.

Mr. TEAKLE: Then do not send him to sea as a cadet. Send him to sea as a deck-hand. That is the way to train him. It is a good service and the ships are well found.

Mr. BELL (St. Antoine): I presume, Sir Henry, that most of the ships in the Canadian Merchant Marine are coal burning, and I suppose burning Nova Scotia coal?

Sir HENRY THORNTON: I am sure I do not know what kind of coal they are burning.

Mr. HEAPS: Would it be fair to tie down the ships to using one specific coal?

Sir HENRY THORNTON: No, I think it would be a great mistake to do that. As a matter of fact, what we try to do on the Canadian National Railway system is to favour goods produced in Canada. Sometimes that cannot be done. I think that is something that had better be left to the intelligence and the patriotism of those who are administering the property.

Mr. HEAPS: I can see where, in the case of a ship sailing from Vancouver, it would be impossible to get Nova Scotian coal.

Mr. CLARK: There is Vancouver Island coal.

Mr. HEAPS: If it is possible to use it, all right.

Sir HENRY THORNTON: Every ship sailing out of Vancouver, bunkers with Vancouver coal; but when a ship is in a Chinese port or some place like that, she has to take what coal is available.

Mr. JELLIFF: I notice last year where we had vessels operating in the grain trade on the Great Lakes. I do not see anything in this report in regard to them. Last year's report gave us 256 voyages in all for our vessels, of which 130 were entered as chartered in grain.

Sir HENRY THORNTON: I do not think that we have any vessels in the Lake trade.

Mr. TEAKLE: We disposed of those. There was no business for them. They were tied up.

Sir HENRY THORNTON: These vessels were amongst those disposed of last year.

Mr. POWER: Could you tell us what has become of the ships that were disposed of? That is in what trade they are.

Mr. TEAKLE: I think I can answer that now. Some of the ships we sold are tied up in St. John; their new owners are not able to operate them. One ship is operating on various trades. One ship was sold to a subsidiary company of our own and will be operated in connection with the railway, on the Great Lakes. The others are sold to Mr. Paterson, who has a grain business and elevators of his own. He is operating those. Others were sold to foreign buyers and I do not know what became of them.

Mr. JELLIFF: Did you say some are operating on the Lakes?

Sir HENRY THORNTON: We sold one ship to the Canada Atlantic Transport Company, which is a subsidiary of the Canadian National Railways, and that vessel is operating on the Great Lakes.

Mr. JELLIFF: If that pays them, would it not pay us.

Sir HENRY THORNTON: The circumstances were peculiar. We needed a vessel to supplement the fleet of this subsidiary and we found it was cheaper and better to take one of our own ships and use it, than to build an entirely new ship.

Sir EUGENE Fiset: With regard to the sale of those ships, Major Bell has told us that the money was credited to the Receiver General; that he was compelled by law to do so. I feel inclined to doubt, to a certain extent, that statement. I think if the money had been deposited to a special account, to be drawn upon by Order in Council, which is absolutely legal, it could be used towards the purchase of a ship or otherwise. That has been done in other circumstances. Why has the procedure been changed?

Mr. BELL: The Canadian Government Merchant Marine got the ships from the government and gave their notes. When they sold a ship, that note must be cancelled, and the only way the government would cancel would be by paying on account and then writing off the balance. That goes back in the Receiver General's account. Supposing the sale of those boats amounted to millions, you might as well take it and start a transcontinental service if that procedure could be followed.

Sir EUGENE Fiset: All the orders in council which you have passed, dealing with such sales, are tabled in the House and they become ipso facto the money of parliament.

Mr. BELL: It would be illegal for us to use that money over again in the purchase of ships.

Sir EUGENE Fiset: I think it could be used in another way, and I think it would be to the advantage of the Merchant Marine if that should be done.

Mr. BELL: But, you know we are not working under war conditions now.

Sir EUGENE Fiset: I will give you an instance. Money was obtained from the sale of certain lands. This was deposited to special account by Order in Council purely and simply. I should think the same thing can be done with regard to the sale of land or the sale of ships.

Sir HENRY THORNTON: We were guided by competent advice which we necessarily had to follow. If there is any way in which we can hold on to the moneys received, I have not any objection to doing it.

Mr. CLARK: If the shipping business was normal and the ships were operating at their full capacity, do you anticipate that you could pay your operating

expenses and interest on the notes to the government, and a reserve for depreciation.

Sir HENRY THORNTON: No, we could not, General, because most of our ships were built as a war measure, under considerable economic pressure, at very high prices per dead weight ton. After all, this Merchant Marine as we have it to-day is an inheritance from the war and we carry with that inheritance all of the disabilities of war time construction.

The CHAIRMAN: Do you think, Sir Henry, in view of that, it would be fair and wise if the government permitted us to write down to actual value the ships you have now and write off the difference. What is the use of carrying it?

Sir HENRY THORNTON: In its last analysis you might legitimately regard the excessive cost of ships built during the war as something to be charged to the cost of the war and in that sense there would be no objection to what you suggest.

Mr. CLARK: Have you any proposal to make yourself in this connection?

Sir HENRY THORNTON: Not immediately.

The CHAIRMAN: Do you intend to keep on carrying that heavy debt?

Sir HENRY THORNTON: No, I do not want to carry it any longer than I have to, but there have been so many things of primary importance in connection with the railway system to get straightened out and to do, that the writing down of the Merchant Marine capital, or what might be called its financial reconstruction, is just simply something that we have not been able as yet to get at. We have probably approached the time when that ought to be given serious consideration.

The CHAIRMAN: It would not be nearly so difficult as the question of writing down the capitalization of the railway.

Mr. POWER: The same principle is involved.

Sir HENRY THORNTON: It is all in the one pocket.

Mr. POWER: The principle is there. If you were able to write down this excessive capital, would you be able to give cheaper rates to the shipper.

Sir HENRY THORNTON: No.

Mr. POWER: On what are your rates based?

Sir HENRY THORNTON: Broadly speaking, our rates are based on competitive conditions. There is not the same control and regulation of ocean shipping rates that applies to railways.

Mr. POWER: Do you say "on competitive rates" or on agreements with regard to shipping rates?

Sir EUGENE Fiset: Or conferences?

Sir HENRY THORNTON: Agreements or conferences. Necessarily our objective must be to try to operate the Canadian Government Merchant Marine at a profit, and we would be betraying our trust if we looked at it otherwise. To that extent and with that object in view, we naturally want to see rates maintained at a level which will promote that. Of course in that connection we must consider the essential needs of the people we serve. Now we are offering just as low rates on our vessels, and sometimes a little lower than could be obtained from other shipping companies. If we went into a general policy of reducing rates, it would simply add that much to the deficit, and that in turn would mean that the government would have to make up that much more deficit, and the taxes of the people of Canada would be increased by precisely that amount. I have always said that the people of Canada, if they want to, can wipe out all freight rates, both on land and water, or reduce them to any point that they want to, and then it will be my job to carry that out; but I must tell them that if that is done, somebody somehow has got to pay the bill at the end of the year.

Sir EUGENE Fiset: If your capitilization were reduced as suggested so that the interest you have to pay is substantially reduced, could you see whatever balance of profit there is in the reduction of rates.

Mr. BELL: The insurance is written down to a nominal value to-day, and you pay no interest to the government, so that those charges do not enter into the freight rates.

Mr. POWER: If you do not take that into consideration, what do you consider, if it is not the prices charged by other lines? That is about what your statement amounts to, is it not?

Sir HENRY THORNTON: Perhaps I answered your question a little hastily because I did not quite fully understand it. Our freight rates are ocean freight rates and are determined by the general conditions of the shipping trade. We naturally try to get as good a rate as we can within reason.

Mr. POWER: They are determined by the rates charged by competing lines?

Sir HENRY THORNTON: They must necessarily be and that is true everywhere.

Mr. POWER: They are not determined by the actual cost to you of carrying that particular line of goods.

Sir HENRY THORNTON: If we took into consideration our total costs of service and also, as we probably should, our annual interest charges, our freight rates would be very much higher.

Mr. POWER: Leaving aside the annual interest charges, why should you charge higher rates on one particular commodity and lower rates on another, if not because it happens to have been the custom of the trade for many years and other boats do it? You do not take into consideration just what it costs you to carry those goods.

Sir HENRY THORNTON: In some particular shipments, or some forms of traffic, you may have to, for business or economic or other reasons, fix a low rate because the traffic will not stand any more than that, and it is not fair that the traffic should be expected to stand any more. On the other hand when you find a traffic which is profitable to the shipper, that he is making money out of it, we get as good a rate as we can from him, and at the end of the year there is an average. We cannot revise downwards always.

The CHAIRMAN: Is it not true that in the matter of fixing rates on railways and on ships, the cost of the service is the basis of the rate.

Sir HENRY THORNTON: Notwithstanding all that may be said there is no rhyme, reason, or formula for the determining of any kind of a transportation rate.

Mr. POWER: You charge all the traffic will bear.

Sir HENRY THORNTON: No, not in all circumstances. All water and land transportation goes on the best rate that they have, having regard to the character of the traffic and economic conditions. For instance, it might be a very good business move for a railway company to haul some particular traffic at cost or less than cost to encourage an infant industry, or because there was an empty car movement in that direction. There are hundreds of different things that enter into the fixing of freight rates, both on land and water, and there is no general formula which fixes them.

The CHAIRMAN: I suppose the Railway Commission could be questioned as to how rates are fixed on the railways, and I think I remember a former chairman saying the rates were not based on costs at all.

Mr. POWER: I would like to get down to a particular case. I am told—I may be wrong—that vessels carrying freight from the Old Country, we will say to Quebec, charge the same price to Quebec as they do to Montreal, which is 200 miles farther on and takes a day more. Is that the fact?

Mr. TEAKLE: It is a fact, as you will remember if you go back in your mind, that we were to get two and six to five shillings over the Montreal rate, and I think Mr. Power understood that situation too, because it is much cheaper to move your traffic at your terminal ports than to go into the intermediate

ports. We are glad to go into Quebec, and have done so very often, and I think Mr. Power will agree that we have used Quebec very well, but it is certainly an extra expense. Supposing a ship is sailing between London and Montreal. Those are the terminal points. We discharge the crews there, bunker there, and can handle the ship much more economically at the terminal points, but I think Quebec has been used very well by the steamship people, and the freight rates have been equalized. I think Quebec has been favoured—

MR. POWER: I don't know as you are doing us a favour. The facts are there, that it takes more to get the vessel to Montreal than to Quebec; you spend that much more. It is an extra day's run.

MR. TEAKLE: Even our slow ships will do better than a day.

MR. POWER: Well, say three-quarters of a day, or half a day. Why should the freight not be lower? There is the question of discrimination there.

MR. TEAKLE: I don't agree with you. As a traffic man, I cannot agree with you in that, because there are the various things coming up which it would take quite a while to explain, but the general facts are these: as I said a moment ago, suppose you are operating a vessel between Montreal and London. She loads at London and discharges at Montreal. Every stop she makes in between is costing us money. There is the delay to the ship amounting to probably \$450 a day, port charges of possibly \$300 to \$500; somebody has to pay that. Distance does not figure to any great extent.

MR. HEAPS: I wonder if Mr. Power wants the rate to Montreal increased?

MR. POWER: I don't care. The point is this: that there is, say, on the export trade a discrimination of one half a cent in the rail rates between Montreal and Quebec—

THE CHAIRMAN: You mean a difference, or a discrimination.

MR. POWER: We call it a discrimination.

THE CHAIRMAN: A difference—

MR. POWER: In favour of Montreal.

SIR HENRY THORNTON: What do you mean? By land?

MR. POWER: By land.

SIR HENRY THORNTON: We make the same rate from Montreal as from Quebec.

MR. POWER: That will be by land?

SIR HENRY THORNTON: What do you say to that, Mr. Woods?

MR. WOODS: We make the same rate all the way, Sir Henry (Thornton). ex lake grain, which is one half a cent a bushel higher than Montreal.

THE CHAIRMAN: That is because it is farther?

MR. WOODS: One hundred and seventy-two miles farther.

MR. POWER: I am coming to the argument that for the 172 miles further, it should not count, because it is 172 miles further coming back the other way.

SIR HENRY DRAYTON: There is this about that: on the old rate they were all the same. You might as well say "Why is the rail rate to Halifax the same as to St. John, although it is 200 odd miles farther?"

MR. POWER: So the distance does not count?

THE CHAIRMAN: It shows you that distance does not enter into the question of rates.

MR. POWER: That will come up in regard to the question of railway. Why should not Quebec be in the same zone as Montreal? However, that is not what I wanted to discuss now. What I want to discuss here is the fact that there is a difference of one-half cent. Why should we be obliged to pay that half cent? Why should the boats not stop in Quebec, and not take on that cargo?

SIR HENRY THORNTON: Because it costs that much more—considerably more—as Mr. Teakle has explained.

MR. TEAKLE: May I interject there, Sir Henry (Thornton), that we are stopping in Quebec, and we put on as many ships as we can find freight for.

We make it a dead set to get the Quebec trade, and, speaking from memory. I don't think we ever turned down a Quebec shipment, did we Mr. Doherty?

Mr. DOHERTY: No, I don't think we ever did.

Mr. POWER: Would you lose much money if you absorbed this half cent?

Mr. TEAKLE: There is no half cent.

Mr. POWER: For the export trade? It costs half a cent more to get the stuff to Quebec.

Mr. TEAKLE: That is a railway matter; that is no concern of the steamers.

Sir HENRY DRAYTON: It is the old lake route.

Mr. WOODS: The rail to Quebec is the same.

Sir HENRY DRAYTON: There is the export Montreal; there is the export Quebec; there is the export Portland, and there is the export St. John?

Mr. WOODS: Yes.

Mr. HEAPS: The question of coal was brought up by General Clark a moment ago. I wonder if there is a statement showing the purchases of coal by the Merchant Marine, and from where it was purchased.

Mr. TEAKLE: I can give you the coal purchases on the Pacific, but I cannot on the Atlantic, because I have not the figures here, but as our president has very rightly said, we buy Canadian coal wherever it is possible to get it. I mean by that, that starting from Montreal, Halifax, St. John, or from Vancouver, we would buy local coal; when we get the ship to the other end—to her destination—we have to buy coal wherever she may be. It is more profitable to carry cargo than coal; therefore, if we are sailing a ship from Vancouver to London or Antwerp, we would bunker in Vancouver first. As she can carry cargo more profitably than coal, we have to reason out whether it is cheaper to buy your coal in Vancouver than on the other side, as compared to the rates on freight. Your boat has got to earn money if possible. Therefore, on a voyage from Vancouver to London, we will say, we would buy coal in Vancouver to take her to Norfolk, and at Norfolk we would bunker her to take her to London, and then bunker her again in London to take her on the return voyage.

Mr. HEAPS: Then, am I right in understanding that wherever it is possible, you buy Canadian coal?

Mr. TEAKLE: You are absolutely right, sir.

Mr. CLARK: Sir Henry (Thornton), is it a fact that competitive rates are fixed in the main by steamship conferences?

Sir HENRY THORNTON: I should say "Yes." Is that right, Mr. Teakle?

Mr. TEAKLE: Yes. There is throughout the shipping world a system of conferences or associations, and the steamship men meet and discuss conditions, and the fixing of freight rates, in a fair manner, as they consider them.

Mr. CLARK: Does the Merchant Marine meet in those conferences?

Mr. TEAKLE: We did, but not now.

Mr. CLARK: You adopt the rate fixed by these conferences?

Mr. TEAKLE: We take the going rate, whatever it may be, which is a good policy, because we want to try to get the fleet on its feet.

Sir EUGENE Fiset: Are you still in close contact with these conferences?

Mr. TEAKLE: I don't know what you mean by that question, Sir Eugene. If you mean friendly—that is, knowing one another—

Sir EUGENE Fiset: You get daily or hourly rates which have been fixed by the conference?

Mr. DOHERTY: Not necessarily hourly, but we do get the information. If I might say a word in that respect: if our friends—and we have many friends among the shipping gentlemen—if they find that somebody else is quoting a lower freight rate than we are, they are the first to come to us and say "Well, Bill Smith says he will carry our stuff for ten cents; you are asking twelve."

Sir EUGENE Fiset: That is not what I am asking. Do you get the regular reports from the shipping conferences as to freight rates, notwithstanding the fact that you do not form part of the conference?

Mr. DOHERTY: What do you mean by "regular reports"?

Sir EUGENE Fiset: The regular reports. You know very well that these reports come out daily or hourly—

Mr. DOHERTY: Do you mean advices of rate changes?

Sir EUGENE Fiset: Yes.

Mr. DOHERTY: They do come to us.

Mr. BELL (Montreal): When did you leave the conference?

Mr. DOHERTY: A year ago last February.

Mr. POWER: Since the time of the advent of the corrugated ship.

Mr. CLARK: The only difference between the present situation and the past situation is that the Canadian Government Merchant Marine takes no part in the meetings, and takes no part in the fixation of rates.

Sir HENRY THORNTON: That is true; that is right.

Mr. HEAPS: Mr. Chairman, we were going to discuss the question of the rates on steers.

The CHAIRMAN: I may say to the committee that we sent word to Colonel Mullins, but he was not in his room, and could not be found. Does the committee desire to go on despite that fact; we would like to make progress.

Sir HENRY DRAYTON: I suggest the easier thing to do is to file a statement which is already prepared, going into the whole question of the cost of this service, and also file last year's statement,—have Mr. Doherty put them in, and he can come back some time when Mr. Mullins is here.

Sir HENRY THORNTON: Even if we close with the Merchant Marine, we can easily go back to that particular item for Colonel Mullins.

The CHAIRMAN: Would it be satisfactory to have a little statement made now? It would appear in the record.

Sir HENRY THORNTON: That has all been gone into.

Sir HENRY DRAYTON: It was worked out with great care. We had shipment after shipment in there, showing how much we carried, exactly what it cost, and I think that could easily be found and put before the committee, and then Mr. Doherty, who was responsible for it, could be here when Colonel Mullins is here, after he has had a chance to read it, and examine it.

The CHAIRMAN: What is the pleasure of the committee?

Mr. POWER: Generally speaking, could we hear whether the shipment of cattle is profitable or not?

The CHAIRMAN: We might have a brief statement on that.

Mr. TEAKLE: Yes, I happened to think of this before coming down. We have made some statements here, and putting the cattle on a basis of \$20 per head, as against general cargo, we figured we lost per voyage, carrying cattle, \$46. Provided we got the full load of 233 head, at \$20, and figuring the equivalent in the same space for general cargo, we lost \$46 on the voyage.

Mr. HEAPS: At \$20 per head?

Mr. TEAKLE: Yes, so if you reduced your freight rate to \$15 you would increase the loss.

Sir HENRY DRAYTON: What cargoes are you comparing—with the deal cargo? We had something to do with that a while ago.

Mr. TEAKLE: No, with general cargo and grain.

Mr. POWER: General cargo pays better?

Sir HENRY DRAYTON: Yes, by \$46.

Mr. TEAKLE: Our ships carrying cattle—we never claimed for them that they were strictly cattle-carrying boats.

Sir EUGENE Fiset: You have fixed up some of them?

Mr. TEAKLE: Under pressure, and against my better judgment, we fitted four, but we can only carry 233 head, and we carry them on the main deck, and what we call "underbridge space"—that is, the space under the bridge, where we put them.

Mr. POWER: When you figure on this loss of \$46 per vessel per voyage, do you figure in the cost of changing the ship?

Mr. TEAKLE: Yes; you have to take interest on your money, depreciation of the fittings, the cost of keeping the fittings up, etc.

Sir HENRY DRAYTON: I think that was amortized over ten years, was it not, the interest charges?

Sir EUGENE Fiset: Your remember, Sir Henry, (Drayton) that we asked the blunt question about the charges with regard to fitting these boats up as cattle carriers, and it was agreed they should be charged to Capital Account, and once they are fitted up, (To Mr. Teakle) could you not then carry cattle at a reduced rate?

Mr. TEAKLE: No, because if you take off your interest on the capital expenditure, it would be \$64 a voyage, and that would only leave you roughly \$18, provided you carried the 233 head of cattle.

Sir EUGENE Fiset: I think last year there was an allowance of four per cent for depreciation.

The CHAIRMAN: That is not the capital invested in the boat; it is the capital invested in the fittings.

Mr. TEAKLE: Yes.

Mr. JOHNSTON: Your ships are not adapted for cattle trade?

Mr. TEAKLE: That is quite true.

Sir HENRY DRAYTON: Does that take into consideration anything except running expenses?

Mr. TEAKLE: No, just a straight comparison as between whether you carry 233 head of cattle, or whether you carry the equivalent of grain or a general cargo.

Sir HENRY DRAYTON: I did not ask you that. What do you charge into your costs?

Sir HENRY THORNTON: For carrying cattle?

Sir HENRY DRAYTON: No, the whole thing. What do you include in operating costs?

Mr. TEAKLE: The wages of the crew, the feeding of the crew,—there is the fuel; there is the insurance; there is the loading and discharging, and the port charges, and your agency fees.

Sir HENRY DRAYTON: There was no capital brought into that at all?

Mr. TEAKLE: No.

The CHAIRMAN: It is the loss in operating without reference to the interest on the investment in the ship.

Sir EUGENE Fiset: Is depreciation counted into your cost?

Mr. TEAKLE: No; not on the ship.

Sir EUGENE Fiset: Last year we had a statement to the contrary.

Mr. HENRY: Only to the extent of the additional capital required to fix them up, but there is no interest and depreciation upon the original cost.

Sir EUGENE Fiset: But other companies charge to each voyage, according to the report we got last year, a depreciation on their fittings, of four per cent. Would the same thing apply to the Merchant Marine, because if it does, in the statement of cost should be included the depreciation as well. Last year, in the Peterson committee—

Mr. TEAKLE: It would equalize itself, Sir Eugene.

Sir HENRY DRAYTON: They didn't think they could get that far.

Mr. JELLIFF: I think two years ago the figure was given of \$27,000 for fitting up these boats.

Mr. HOWARD: Did you get all the cattle trade you wanted?

Mr. TEAKLE: No. Take last winter for instance; out of eleven sailings we only had two full loadings, and one half load. The rest of the ships were empty.

Mr. HOWARD: So you were put to the expense of fitting out these boats for cattle, and getting no business for them?

Mr. TEAKLE: That is right.

Mr. HOWARD: Has it picked up this year?

Mr. DOHERTY: I think it has, a little.

Mr. POWER: How are you booked up for this year?

Mr. DOHERTY: Probably till the middle of July.

Mr. POWER: As from the 1st of May?

Mr. DOHERTY: To the beginning of July.

Mr. POWER: This is only from Montreal and Quebec—or from St. John?

Mr. DOHERTY: From the St. Lawrence ports.

Mr. POWER: What do you do with regard to that space in the winter time?

Mr. TEAKLE: Out of St. John.

Mr. POWER: For cattle?

Mr. TEAKLE: Yes. I am talking about last winter's season.

Mr. POWER: Is there any cattle trade out of St. John in the winter time?

Mr. TEAKLE: Oh yes. The ships go down there in the winter, and the cattle flow down there.

Mr. ROBICHAUD: What did you have last winter in St. John?

Mr. TEAKLE: We had two full loads, that is, of 233 head each, and one of 120.

Mr. HEAPS: Out of how many sailings?

Mr. TEAKLE: Eleven.

Mr. POWER: That only refers to the winter?

Mr. TEAKLE: Yes.

Mr. POWER: What about last summer?

Mr. TEAKLE: Can you answer that, Mr. Doherty?

Mr. DOHERTY: I think they were pretty well filled up last summer. There may have been two or three steamers which were not full, but it worked out pretty well.

Mr. JOHNSTON: You have stated that your ships are not adaptable to the cattle trade?

Mr. TEAKLE: Yes.

Mr. JOHNSTON: Would you care to venture an opinion as to whether or not ships adapted for the cattle trade could carry the cattle for a lesser amount than \$20 a head?

Mr. TEAKLE: I would not do it.

Mr. POWER: There is another company that has undertaken to do it at the present time.

Mr. TEAKLE: That company at the present time is in difficulties, according to the newspapers. The bank has taken over these ships. I have a clipping here from the St. John Telegraph saying that the banks have taken over these Jensen ships, making a new company for five of them, and another company for the "Ontario." (Reading) While the remaining vessel, the ss. *Ontario* is to be run by a company of the same name, but in each case T. G. Christiansen will be managing owner." That is the only ship you have in mind Mr. Power? There was, at one time, a steamer—

Mr. POWER: She was wrecked?

Mr. TEAKLE: She had a fire in her bunkers and had considerable trouble in getting the fire out.

Mr. JELLIFF: Is not one of the main difficulties in regard to the fixation of cattle rates, the fact that they cannot get sufficient return cargo?

Mr. TEAKLE: And also the uncertainty of full loads. When a ship is fitted for cattle, there you are. We have to carry those deck fittings subject to wind and seas, in the winter, absolutely empty.

Mr. JELLIFF: If you had a sufficient return cargo, could you reduce the rate?

Mr. TEAKLE: I think if you had properly constructed ships, you might do it.

Sir Eugene Fiset: Can you convert the ships you have at the present time to make them profitable cargo carriers?

Mr. TEAKLE: I would not say so. I would be against it absolutely.

Sir EUGENE Fiset: If you were instructed to do so, how many of the ships—

Mr. TEAKLE: Then it would be for my president to tell me what services he wanted to disrupt, and I would follow his instructions.

Sir EUGENE Fiset: What changes would you require?

Mr. TEAKLE: I would have to find out first what would be in the ships. If Colonel Mullins has the same ideas of fitting our ships as he has the "Ontario," I would want the cost of that, and to see what it cost us to operate the ships, because without that I would not want to give an opinion.

Mr. HEAPS: You have a number of ships laid up now?

Mr. TEAKLE: We have five small ones.

Mr. HEAPS: I think Colonel Mullins referred to these ships being laid up. Would it not be better to use them for carrying cattle than to keep them laid up?

Mr. TEAKLE: I think as far as Canada is concerned, my opinion is that we lose less money by having them tied up.

Mr. HEAPS: What ships have you now?

Mr. TEAKLE: Four ships in the Canada-Swanson line. The "Leader," the "Victor," the "Commander," and the "Mariner".

Sir HENRY DRAYTON: Last year we had information as to a specially adapted ship for the cattle trade, and we were told that some of those specially adapted, were tied up and were not being operated. What is the situation there to-day? Are there ships specially adapted for cattle trade available for the trade, or are they owned by private companies, and not being operated?

Mr. TEAKLE: I do not know of any not being operated, because I have not checked them up, but I know that last winter certain of the lines cancelled sailings, on account of lack of cattle. I have not checked them up this summer.

Sir HENRY DRAYTON: That was the White Star line?

Mr. TEAKLE: Yes, quite right.

Mr. POWER: And the Manchester line?

Mr. TEAKLE: I don't know. I remember the White Star. Do you remember, Mr. Woods?

Mr. WOODS: The White Star, out of Portland.

Sir HENRY DRAYTON: Those were special carriers?

Mr. WOODS: They have permanent cattle fittings.

Mr. ROBICHAUD: What would be the difference in the tonnage space for each head of cattle, in a regular cattle ship, and one of the Canadian Government Merchant Marine. I understand that it takes about 30 cubic feet of space for each head of cattle.

Mr. TEAKLE: That is a question you would have to figure out, because it all depends upon the height of the decks, etc. Some of the lines may have it, but I have not the figures here, of their lines; I only have the figures of our own.

Sir EUGENE Fiset: In your opinion, it would be disastrous as far as the Canadian Government Merchant Marine is concerned to convert any of the present ships you are now using into cattle ships?

Mr. TEAKLE: That would be my opinion.

Mr. BELL (Montreal): We are discussing live stock. I presume that none of the ships have cold storage facilities, in case the cattle were killed on this side?

Mr. TEAKLE: We have a small amount of cold storage space in certain of our ships. We could carry about one hundred tons.

Mr. BELL (Montreal): How many head would that amount to?

Sir HENRY THORNTON: Do you mean carcasses?

Mr. TEAKLE: About 200 head of cattle, or 250 head.

Mr. DOHERTY: I presume there would be——

Sir HENRY DRAYTON: You could not get it that way.

Mr. DOHERTY: I think the stowage would work out at about 100 cubic feet to the gross ton. Now, a gross ton would represent about two steers.

Mr. TEAKLE: That is what I am figuring on.

Sir HENRY DRAYTON: Of chilled beef? More than that.

Mr. HEAPS: 500 pounds to the steer.

Mr. TEAKLE: About 1,150 pounds.

Mr. HEAPS: That is, alive?

Mr. TEAKLE: Yes.

Sir HENRY DRAYTON: It is a good steer that dresses 800 pounds.

Sir HENRY THORNTON: I should think it would run pretty close to three carcasses.

Mr. TEAKLE: That would be 300 head then. I said 250 head, but it would run nearer 300 head.

Sir HENRY THORNTON: 300 carcasses.

Mr. BELL (Montreal): What experience in that regard have you had with cold storage?

Mr. TEAKLE: Carrying carcasses?

Mr. BELL (Montreal): Yes.

Mr. TEAKLE: None, because our ships are not fast enough to get the trade. We cannot get the trade against the ships that will cross in seven or eight days.

Mr. HEAPS: How many days does it take your ships to go across?

Mr. TEAKLE: Thirteen days.

Sir HENRY DRAYTON: So far the country has not been very serious about it. We do not do a great deal of chilled beef business. We have had a few experiments made, but when they are made they are made in such a way that they are bound to show a failure.

Mr. ROBICHAUD: Are your accommodations adaptable to the present business?

Mr. TEAKLE: Yes.

Mr. HEAPS: You could not sell any frozen meat in Great Britain.

Mr. TEAKLE: I should think so. Our president knows more about that.

Sir HENRY THORNTON: We went over that pretty carefully last year, and that, in turn, goes back to the war experience. There is certainly a prejudice among the population of England with respect to frozen meat.

Mr. HEAPS: And frozen fish.

Sir HENRY THORNTON: And frozen fish. Personally, I think there is not much in it.

Sir HENRY DRAYTON: We would not be freezing it anyway, Sir Henry (Thornton). We really have frozen meat which would be perfect for the London market.

Sir HENRY THORNTON: All the same, the average Englishman will buy home grown and home killed meat every time, in preference to anything else. During the war, of necessity there was a great deal of frozen and chilled meat coming into England. Some of my friends used to tell me they could tell the differ-

ence. Personally, I could not; but a difference undoubtedly does exist outside of the prejudice against chilled and frozen meat.

Sir HENRY DRAYTON: There is a very large business done in it, all the same. Argentine does a large business there.

Sir HENRY THORNTON: For the life of me, I could never see why it was not a good proposition!

Mr. HEAPS: I have been over there on two occasions since the war, and I have seen Canadian frozen fish there, and you could not give it away. It was fine Gaspe salmon too.

Mr. ROBICHAUD: There is a tremendous amount of frozen salmon goes across the ocean.

Sir HENRY THORNTON: That fish business beats me altogether. How it is there is a demand for Prince Rupert halibut in Boston, I do not understand, and never will. Just the same, there is a very considerable movement of frozen halibut from Prince Rupert to Boston.

Sir HENRY DRAYTON: Because you are carrying it probably at a very low rate.

Sir HENRY THORNTON: We are getting a fair rate for it.

Mr. ROBICHAUD: They are getting a better service from Vancouver—

Sir HENRY THORNTON: Why anybody should want to eat frozen halibut in Boston where they can get all the fresh fish they want is beyond me.

Sir HENRY DRAYTON: Look at your rate, Sir Henry (Thornton).

The CHAIRMAN: Gentlemen, have you finished the general discussion?

Mr. POWER: I would like to ask a question with reference to passenger business. Is there any passenger trade worth while, on any of the Canadian Government Merchant Marine ships?

Sir HENRY THORNTON: No.

Mr. POWER: You have a service to the West Indies?

Sir HENRY THORNTON: Yes.

Mr. POWER: Does it pay?

Sir HENRY THORNTON: No.

Sir HENRY DRAYTON: There are only about two dozen cabins in the whole thing—

Mr. POWER: Some of these cattle boats have excellent cabins. I was on the "Mariner" last Sunday and the two cabins there were fitted up very nicely.

Sir HENRY THORNTON: We are not equipped to go into the passenger business.

Mr. POWER: Even the vessels which do carry the business, do not do it at a profit?

Sir HENRY THORNTON: Even they are not equipped, from the modern point of view. There is passenger space, but it is not attractive.

Sir HENRY DRAYTON: The boats are too small for that?

Sir HENRY THORNTON: Yes.

Mr. CLARK: Has the service to Montreal in the summer and to Halifax in the winter been a success?

Mr. TEAKLE: That comes in under the same heading, which Sir Henry (Thornton) has asked to keep privately.

Sir HENRY THORNTON: Not too bad, gentlemen, not too bad.

Mr. CLARK: May I see that, sir?

Sir HENRY THORNTON: Yes, any time you like.

Mr. CLARK: There are five vessels—

Sir HENRY THORNTON: I wonder if this would not cover the whole point. Would it not serve the needs of the committee sufficiently if we give each member of the committee a copy?

Sir HENRY DRAYTON: I would give out no copies at all.

Mr. HEAPS: Give one to the Chairman.

Sir HENRY DRAYTON: I think it would be very much better to ask the Press not to say anything about this, and then go ahead and read it.

The CHAIRMAN: Without speaking derogatory of any members of this committee, you know things do leak out.

Sir HENRY DRAYTON: Yes.

Mr. TEAKLE: Under my president's and the Chairman's direction, I am prepared to give you the facts. I am asking that these facts be not given out, but I am prepared to give them to the members of the committee so as to show you what we are doing, but we naturally are watched on every hand and it is a case of our traffic men matching brains with the brains of the other fellow, and if they knew what we were doing it would be an advantage to them, because we would not know what they are doing.

Sir EUGENE Fiset: What is the best plan?

Sir HENRY THORNTON: If any member of the committee wants to see this, let him come and look at it.

Sir HENRY DRAYTON: That is the best way.

The CHAIRMAN: Are you through with the general discussion, gentlemen?

Mr. CLARK: There is one other thing I would like to ask. I notice there are five vessels plying on the Pacific and five to New Zealand. Are they the same five, or are there ten ships?

Mr. TEAKLE: Is that not on the Atlantic, sir?

Mr. CLARK: I assume, being New Zealand and Australia, it would be on the Pacific.

Mr. TEAKLE: No, it is on the Atlantic, and they are separate services.

Mr. CLARK: What about New Zealand?

Mr. TEAKLE: We have no service at the moment.

Mr. CLARK: Have you any service out of Vancouver other than the coastal?

Mr. TEAKLE: Yes, we are operating a weekly coastal and monthly inter-coastal, and a monthly London and Antwerp, and a monthly west coast, and also a service to Avonmouth and as far as Liverpool. Nothing to the Orient.

Mr. CLARK: Do you carry grain?

Mr. TEAKLE: Yes.

Mr. JELLIFF: Why did you discontinue the Oriental.

Mr. TEAKLE: It was too big a loss.

Sir HENRY DRAYTON: That is where one of the big movements might be made.

Mr. TEAKLE: Not necessarily.

Sir EUGENE Fiset: Do you go from the Pacific coast to Antwerp and Swansea?

Mr. TEAKLE: No, Swansea is in England and Antwerp is not.

Sir EUGENE Fiset: But you go to London; are you using it as a port?

Mr. TEAKLE: Yes.

Sir EUGENE Fiset: Since when?

Mr. TEAKLE: We started a London service away back.

Mr. JELLIFF: What were your losses in the Oriental service due to?

Mr. TEAKLE: The Oriental situation to-day is an unprofitable one even for the big lines.

Mr. JELLIFF: We hear about the Oriental trade between Vancouver and the Orient increasing.

Mr. TEAKLE: Yes, but the Oriental trade as a whole is a very sad experience to the lines that are operating in it. Ever since we went into it, back in 1919, it was a losing game to us, so we decided to draw out of it.

Mr. CLARK: Does that apply to the C.P.R.?

Mr. TEAKLE: I have no access to their figures. I would like to have the money I think they are losing.

Mr. CLARK: You make a general statement; how do you account for the fact that they have increased their fleet tremendously on the Pacific, trading with the Orient?

Mr. TEAKLE: But not in recent years. They put the Australia on in the last two years.

Mr. CLARK: In recent years, the fleet is entirely new since the war.

Mr. TEAKLE: Quite.

Mr. CLARK: And I believe they still have plans in view of increasing it further.

Mr. TEAKLE: I have not heard of them, and I thought I was fairly well in touch with their situation.

SIR HENRY THORNTON: I have heard of that and I think they are, but that is another story. I think if you ask the question you will find they are losing money, but they probably feel that it is a sufficient field to justify keeping in for the future.

Mr. CLARK: Is that loss of money attributable to the present situation in China?

SIR HENRY THORNTON: I do not know that I can answer that. I do not really know. Undoubtedly it has some effect on it; for instance, we know that in Hong Kong, the Chinese are boycotting us and at Canton. They are boycotting British shipping which would include our own shipping trading into China. It is boycotted by the Chinese.

Mr. TEAKLE: I wonder, Sir Henry, if I might ask Mr. Wood if it would be all right to break our own silence as to what you and I know about the Oriental situation, or should we not.

Mr. WOOD: I do not think it would be advisable.

SIR HENRY THORNTON: No, I do not think so. Not at all. The Pacific situation is in a delicate position at the present moment.

Mr. JOHNSTON: Getting back however, Mr. Chairman, to the sale of ships. I understand Mr. Teakle to say that you have sold two of the N. F. Paterson Grain Company.

Mr. TEAKLE: I think we sold four to them.

Mr. JOHNSTON: They are using them in the grain trade on the lakes.

Mr. TEAKLE: They are using them in any trade, coal and ore for instance. We were handling grain only.

Mr. JOHNSTON: It would appear that the Paterson Grain Company can buy and operate those ships.

Mr. TEAKLE: The Paterson Grain Company has its own business, its own elevators, and everything else has it not?

Mr. JOHNSTON: He has his own elevator.

SIR HENRY DRAYTON: His profits on mixing may amount to something.

Mr. JOHNSTON: He would have those profits just the same.

SIR HENRY DRAYTON: Yes, that is all so.

Mr. POWER: It is a way of covering the profits. He loses on the Marine.

Mr. JOHNSTON: If the Paterson Grain Company operate these ships, they must think they can do it at a profit.

SIR HENRY THORNTON: They may command a traffic, like Henry Ford, who bought the broken down D. T. and L. Railway and was able to flood that railway with his own traffic and made a railway which had formerly been bankrupt a paying proposition.

SIR HENRY DRAYTON: Exactly the same proposition as the J. R. Booth, on the line here.

SIR EUGENE Fiset: That was clever enough to change a deficit to a profit.

SIR HENRY DRAYTON: You can do it easily if you have the traffic.

SIR HENRY THORNTON: You can do anything if you have got the business.

Sir HENRY DRAYTON: If you have sufficient traffic of different sorts you can make one hand wash the other and you do not know which is the dirty one, as the Grand Trunk found out, when we bought that.

The CHAIRMAN: Gentlemen, I have been trying to proceed with some little urgency, with a matter suggested by the Deputy Minister. You know when the estimates are brought down to the house, they are based upon the moneys that are needed for the current expenditure, and I understand that with regard to the shipping and railways that is not included in the one-sixth that was passed.

Sir HENRY DRAYTON: It should have been.

The CHAIRMAN: It was not. I was wondering if it is possible that the committee might make a suggestion that they are willing that there should be—as suggested by Major Bell—one-third of the estimate passed in the interim.

Sir HENRY DRAYTON: I do not know why those were not in.

Mr. BELL: This is brought down separately, so that it can easily be referred to this committee. It was overlooked in bringing down the list.

Mr. POWER: The Senate discussed at great length the Hudson Bay situation during the session.

Sir HENRY DRAYTON: What I would suggest is this: you have a working capital of some \$30,000,000. Mr. Robb will have to be getting another supplementary vote very soon; put this in as a supplementary vote, in such a way as to cover bringing you up to date. What I mean is this. In the next supplementary vote, which will be down any time now, you should get your proportion of the two votes passed, and with a third new one.

Mr. BELL: May I say this, we are running very close on our working capital. As explained in the annual report, everything is cut down, our stock and everything else. These are the heavy months of the year and everything is going full blast, and we really require before the end of June about \$10,000,000. If there is no objection, that is practically asking one-third of the vote and the other will mean \$200,000.

Sir HENRY DRAYTON: I do not want to bring in a question of proportion. I would not object to you doing this which is going a long way to help. I would not object to your bringing an interim report showing that by inadvertance the railways and shipping had not been included in the interim supply bill and that the committee are of the view that under the circumstances, and under the usual rule as to leaving the whole thing open, a bill should now be put through authorizing a credit of ten millions as Major Bell suggests.

Mr. POWER: One-third.

Sir HENRY DRAYTON: No, a specific figure.

The CHAIRMAN: Ten million is about one-third.

Mr. BELL: That is quite satisfactory.

Sir HENRY DRAYTON: It should be satisfactory, because you asked for it.

The CHAIRMAN: Would you include \$200,000 for the Merchant Marine.

Sir HENRY DRAYTON: The \$10,000,000 is for both purposes.

Mr. BELL: There are two separate items; \$10,000,000 and \$200,000 for the other.

Sir HENRY DRAYTON: Yes.

The CHAIRMAN: Do you want to make that as a motion, or that we may bring in a report. Perhaps it may be sufficient if we signify to the Minister our willingness to do that.

Sir EUGENE Fiset: Better do that in the form of an interim report.

The CHAIRMAN: Will some one make a motion to that effect.

Sir HENRY DRAYTON: You may make the motion.

Sir EUGENE Fiset: I move it then, if Sir Henry will second it.

The CHAIRMAN: You move then that the committee recommends that in the interim \$10,000,000 be approved of for the railways and \$200,000 for the Merchant Marine.

Sir HENRY DRAYTON: You can put that in to-day.

The CHAIRMAN: The motion is seconded by Sir Henry Drayton. Is that carried gentlemen? That is your own suggestion so that there can be no objection. I declare the motion carried.

Sir HENRY DRAYTON: You can report that this afternoon. And what about next week?

The CHAIRMAN: Shall we proceed further with the detailed examination?

Sir HENRY DRAYTON: No.

The CHAIRMAN: When shall we meet again? I suggest Tuesday at 11 o'clock.

Sir HENRY DRAYTON: I suppose we may as well make up our minds now to give next week to this, so that the officials may get away. Let us devote four days from Tuesday to Friday at 11 o'clock.

Sir HENRY THORNTON: That is satisfactory so far as we are concerned.

The CHAIRMAN: Then it is moved that we adjourn now until Tuesday at 11 o'clock. Carried.

The Committee adjourned until 11 a.m. on Tuesday, 1st June, 1926.

SESSION 1926
HOUSE OF COMMONS

SELECT STANDING COMMITTEE
ON
RAILWAYS AND SHIPPING

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 4, MAY 31, 1926

WITNESSES:

Sir Henry Thornton, President, C.N.R.
R. B. Teakle. General Manager, Merchant Marine.
J. P. Doherty, Traffic Manager, Merchant Marine.

OTTAWA
F. A. ACLAND
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
1926

ORDER OF REFERENCE

HOUSE OF COMMONS,

WEDNESDAY, May 19, 1926.

Resolved,—That Rule 10 of the House of Commons relating to the appointment of the Select Standing Committees of the House be amended by adding to the Select Standing Committees of the House for the present session a Select Standing Committee on Railways and Shipping owned, operated and controlled by the Government, to which will be referred the estimates of the Canadian National Railways and the Canadian Merchant Marine for the present session, for consideration and for report to the House, provided, however, that nothing in this resolution shall be construed to curtail in any way the full right of discussion in Committee of Supply; and that the said Committee consist of Messrs. Bell (St. Antoine), Boys, Campbell, Clark, Drayton, Dunning, Euler, Fiset, Harris, Heaps, Jelliff, Jones, Johnston, Power and Robichaud.

Attest.

ARTHUR BEAUCHESNE,
Clerk of the House.

REPORTS

HOUSE OF COMMONS,

WEDNESDAY, May 26, 1926.

First Report: Mr. Euler, from the Select Standing Committee on Railways and Shipping owned, operated and controlled by the Government, presented the First Report of the said Committee, which is as follows:—

Your Committee recommends that its minutes of proceedings and evidence be printed from day to day for the use of the members of the committee and of the House and that Rule 74 be suspended in reference thereto.

Second Report: Mr. Euler, from the Select Standing Committee on Railways and Shipping owned, operated and controlled by the Government, presented the Second Report of the said Committee, which is as follows:—

Your Committee recommends that it be granted leave to sit while the House is in session.

Concurrence: On motion of Mr. Euler, the First and Second Reports of the Select Standing Committee on Railways and Shipping owned, operated and controlled by the Government, were concurred in.

FRIDAY, May 28, 1926.

Third Report: Mr. Euler, from the Select Standing Committee on Railways and Shipping owned, operated and controlled by the Government, presented the Third Report of the said Committee, which is as follows:—

The attention of your Committee having been drawn to the omission of the interim supply voted by Parliament during the present Session, of any part of Items 372 and 373, of the Estimates 1926-27 respecting loans to the Canadian National Railway and the Canadian Government Merchant Marine, Limited;

Your Committee therefore recommends that Parliament grant as interim supply the sum of \$10,000,000 of the said Item 372 and the sum of \$200,000 of the said Item 373.

MINUTES OF PROCEEDINGS

TUESDAY, June 1, 1926.

The Select Standing Committee on Railways and Shipping opened proceedings in Room 426, at 11.10 o'clock, a.m., this day, Mr. Euler, the Chairman, presiding. The following members of the Committee were present:—

Messrs. Bell (St. Antoine), Boys, Clark, Dunning, Euler, Fiset (Sir Eugene), Harris, Heaps, Jelliff, Power and Robichaud.

Sir Henry Thornton, president, J. E. Dalrymple, vice-president, R. B. Teakle, general manager, Canadian Government Merchant Marine, and J. P. Doherty, traffic manager, and other officials, were in attendance. Also, G. A. Bell, Deputy Minister of Railways.

The Chairman stated that the report of the Merchant Marine was before the Committee.

A statement of the cost of ships, sale price and name of purchaser, asked for at the previous meeting, was read into the record.

Mr. Power stated that Colonel Mullins, M.P., was present and would like to ask some questions if the Committee would grant permission. In accordance therewith Mr. Power moved, seconded by Mr. Jelliff, that Colonel Mullins be heard.

Motion agreed to.

Mr. Mullins desired information respecting the shipping of cattle to the British Isles, charges and regulations; also the building of special ships for the trade and the general policy in connection therewith.

Mr. Harris requested information respecting the relative shipments of cattle from the ports of Quebec and Montreal and general details. Information to be furnished.

It being one o'clock the Committee adjourned till 11 o'clock, a.m., to-morrow, Wednesday, June 2nd.

E. L. MORRIS,
Acting Clerk of the Committee.

MINUTES OF EVIDENCE

TUESDAY, June 1, 1926.

The Select Standing Committee on National Railways and Shipping met at 11.00 o'clock a.m., the Chairman, Mr. Euler, presiding.

The CHAIRMAN: Gentlemen, on Friday last we completed the general discussion on the Merchant Marine Report. This morning, we might go on with the financial report proper of the Canadian Government Merchant Marine, and complete it. On page 10 of the printed report you will find the Operating Account. Is it your desire that we take up the Operating Account item by item, or have you any other procedure to suggest? If not, we will take the first item:

Revenue from Vessels—Closed Voyages\$9,839,816.92

That is the big item.

Mr. BOYS: That shows a big increase in the last year?

The CHAIRMAN: Are there any questions upon that item? If not, we will go on.

Mr. BOYS: Was that due to the general business of the country, or to a change in policy?

Mr. TEAKLE: (General Manager) I attribute that to a rearrangement of our schedules, placing the ships at better advantage, as we used them, also to better support on the part of the shippers of Canada.

Mr. HEAPS: Do you mean by a readjustment of the schedules that there was an increase, or a decrease?

Mr. TEAKLE: Placing our ships on services we think are more remunerative.

Sir HENRY THORNTON: We were able to tell more accurately which were the more profitable routes, and we tried to arrange our schedules to meet more accurately the requirements of the shipping public of Canada.

Mr. BOYS: Have you those distinguished, so that you can give us the results of the different routes?

Mr. TEAKLE: Yes, that was one of the things we were to look at on Friday. We had the information here, if anyone wanted to look at it.

Mr. BOYS: What is it that makes you think that you arranged your schedules to meet more accurately the requirements of the shipping public of Canada and in that way got the support of the people of the country?

Mr. TEAKLE: Well, regularity of service, for one thing.

Mr. BOYS: Do you mean a diversion of business from some other company to this company?

Mr. TEAKLE: Not necessarily that. We provided schedules which naturally brought business to us, we think.

Sir HENRY THORNTON: Can you give us any particulars of that, Mr. Teakle?

Mr. TEAKLE: Take Australia, for instance; by splitting the service up, making the service once in three weeks or a month instead of as it was. A little over a year ago, we had a monthly service between Australia and New Zealand.

Sir HENRY THORNTON: I think, Mr. Boys, there was a little more aggressive pursuit of business, a little more vigorous advertising campaign, and a

general, what you might call, quickening up of our pursuit of business, if we may call it such. There is the further fact that the shipping public on the whole is beginning to appreciate and have a better knowledge of the possibilities of the Canadian Government Merchant Marine.

Mr. Boys: The response of the public to your advertising campaign has been such as to show a general improvement in business.

Sir HENRY THORNTON: Well, you know, an active bird dog will flush up more birds than one that is lazy.

Mr. Boys: What is the general character of that Australian traffic, that is affected by this change?

Mr. TEAKLE: I beg your pardon.

Mr. Boys: What in general is the character of your traffic with Australia?

Mr. TEAKLE: If I may say so, if I answered that fully, we would be giving away our powder. I would be glad to give it to you privately, if I might do so.

Mr. Boys: That is travelling on safe ground.

Hon. Mr. DUNNING: What difference would there be in the West Indies trade by this change of policy, to your competitors?

Sir HENRY THORNTON: You mean in the way of restricting their services?

Hon. Mr. DUNNING: Yes. Could you arrange your services to fit in better?

Sir HENRY THORNTON: That is what we are doing, Mr. Dunning. I will tell you that immediately. The company, which is to say, the Steam Packet Company, says through its chairman that in view of developments between Canada and the West Indies, they are going to withdraw their present subsidized service, which is a fortnightly service, and are going to put on a sailing once a month.

As a matter of fact, we found that that did not apply. What happened was that they reduced their services from the fortnightly to a monthly service, while we said "all right, that being the case, we will undertake to immediately step into the gap and provide services for the maritime provinces and the Dominion of Canada which have been restricted by the packet line."

So that we propose immediately to put on a freight service, which will fill that gap, and we think we can do so, with at least a fair chance of profit. In other words, if a competitor chooses to restrict his services, we shall not let any grass grow under our feet in stepping into the breach, not only because it is profitable to us, but to protect the trade of the country.

Hon. Mr. DUNNING: One of the maritime members asked if we were going to do anything in that respect.

Sir HENRY THORNTON: We are going after it, body, boots and breeches, and get all the business we can.

The CHAIRMAN: The next item is under the heading of "Other Revenue":

Commission \$ 251.78

Interest and Exchange 34,633.36

making together \$34,885.14. What about these items?

Mr. Boys: That jumped from 262.99 up to 34,000. Can we get a little explanation as to that?

The CHAIRMAN: I hope when the members are putting questions, they will put them loud enough, so that the reporters can get them.

Sir HENRY THORNTON: Have you any answer to make to that question, Mr. Teakle?

Mr. TEAKLE: The question is in regard to interest and exchange. We all know that exchange has advanced; therefore, by proper watching of the market, and by consulting exchange, we have been able to make a fair amount of profit;

since freights paid in Great Britain and freights paid to New Zealand are payable in sterling. By bringing the money home to Canada, and watching the money market, and buying judiciously, we have been able to make a showing to this extent.

Mr. POWER: Last year, were you able to do as well?

Sir HENRY THORNTON: No, the longer you play a game, the better you play it.

Mr. POWER: Not necessarily, Sir Henry. A lot of people have lost a great deal of money manipulating the exchange, or gambling on the exchange.

Sir HENRY THORNTON: It was not so much a matter of gambling, it was a matter of giving the best consideration to what we had to do.

Hon. Mr. DUNNING: Is your loss on operating ships included in that item?

Mr. TEAKLE: No sir. Sterling exchange has been more settled, in the last twelve months, than it was a year ago, and there is a difference of almost twenty cents to the good, if my memory serves me right.

Mr. POWER: It has been going down?

Mr. TEAKLE: Yes, so that that has allowed the market to remain more satisfactory.

The CHAIRMAN: The next item comes under the heading of "Expenses:"

Operation of Vessels—Closed voyages... ..\$10,177,311.11

Are there any questions in regard to that item?

Mr. BOYS: That shows an increase over last year of half a million, does it not?

Sir HENRY THORNTON: Yes, about half a million.

The CHAIRMAN: That is because of increased business, I suppose. That is the big item, gentlemen.

Mr. BOYS: Is it entirely attributed to increased business?

Mr. CLARK: Is it not due also to greater losses on certain routes?

Mr. TEAKLE: I could not say that exactly. We have increased our revenue by \$1,066,000.

Mr. CLARK: You cannot say exactly, by examining certain routes, the losses made on certain routes in 1924, or rather the losses made on the same routes in 1925? As I understand it, you stated the other day that you had taken certain ships off certain routes on which you were losing money, and had put them on other routes, with good results. There were some routes last year on which you lost money. Can you tell us by a comparison between amounts lost on those particulars routes last year, with the losses the previous year, whether or not the losses are not due to some extent to the circumstances I have mentioned?

Sir HENRY THORNTON: There is no doubt, gentlemen, that we improved our general condition this year by withdrawing ships from certain routes, which we found to be unprofitable, and putting them on other routes which proved to be profitable. There is no doubt about that.

Mr. CLARK: Did you lose more money on those routes last year, than the year before, the unprofitable routes.

Sir HENRY THORNTON: I could not say whether we lost more on those unprofitable routes last year than the year before, or not. Mr. Teakle can tell us that.

Mr. TEAKLE: Yes, I think we lost more money last year.

Mr. CLARK: Can you give us roughly the increased loss?

Mr. TEAKLE: I would rather give that privately.

Mr. JELLIFF: I think you could surely give it to us, without disclosing what they are. I do not want the routes designated.

The CHAIRMAN: Will it be all right, if you did not designate the routes?

Sir HENRY THORNTON: We can give you that in a few minutes.

The CHAIRMAN: We will continue with something else. The next item is Stevedoring and Wharf Expenses... ..\$ 20,256 67

Operation of Agencies... .. 136,792 93

Mr. TEAKLE: There is \$16,000 there. That is accounted for by the fact that we opened up certain offices in Australia.

Mr. BOYS: Would that be \$16,00 more, or \$16,000 less?

Mr. TEAKLE: \$16,000 more.

Mr. JELLIFF: The stevedoring is less, is it not?

Mr. TEAKLE: That word "Stevedoring" should not be there. It is really "Commission," expenses made up of sundry items. The word "stevedoring" should not be there at all.

The CHAIRMAN: The next item is under the heading of General Expenses.

Management and Office Salaries \$335,376.13

Is that item higher?

Mr. TEAKLE: That is higher, Mr. Chairman, by \$12,271, but it may be of interest to know that these general expenses in comparison to our revenue, means only 5.96 per cent.

The CHAIRMAN: Has the percentage gone up?

Mr. TEAKLE: No sir, it has gone down. Last year, as I remember it, our percentage was 6.29.

Mr. JELLIFF: Is that due to increased business?

Sir HENRY THORNTON: We have to remember this; that if our general expenses remain fixed, and for some reason our business increases, automatically, our expense percentage decreases. That is something that operates automatically, of course, within certain limits.

The CHAIRMAN: The next item is:

Rent, Taxes and Insurance \$13,642.14

What about that item, Mr. Teakle?

Mr. TEAKLE: That is a trifle lower than last year, sir.

Mr. JELLIFF: Does that include insurance on anything but your own property?

Mr. TEAKLE: No, property, office furniture, and so on.

Mr. JELLIFF: Where is your Marine insurance carried?

Mr. TEAKLE: In the Canadian National Railways.

Mr. JELLIFF: Are those boats put in at their insurable value?

Mr. TEAKLE: We put them in at a basis of \$50 per ton.

Mr. POWER: So you make a profit every time you lose a ship, on your own valuation of the boats?

Sir HENRY THORNTON: We try to.

The CHAIRMAN: The next item is:

Travelling Expenses \$24,335 79

What about that?

Mr. TEAKLE: That is about \$9,000 less than a year ago, or \$10,000 less.

The CHAIRMAN: The next item is:

Printing and Stationery \$ 6,015 08

Advertising 32,949 98

Mr. TEAKLE: That is just about \$880 less than it was a year ago.

Mr. HEAPS: Has there been any change at all?

Mr. TEAKLE: Yes, in newspaper advertising.

Mr. BOYS: Where do you get the increase, if you are not spending more money?

Sir HENRY THORNTON: We are advertising more judiciously, and, we think, more effectively, Mr. Boys.

The CHAIRMAN: Postages, cables and telegrams, \$32,675.25.

Mr. TEAKLE: That is about \$3,000 less than a year ago.

The CHAIRMAN: Office Supplies and Expenses, \$13,891.04.

Mr. TEAKLE: That is \$4,000 above last year.

The CHAIRMAN: Miscellaneous Expenses, \$29,509.28.

Mr. TEAKLE: That is \$3,000 less. I am giving you the even figures.

The CHAIRMAN: Total expenses, \$10,822,755.40, leaving an operating loss of \$948,053.34.

To which add:

Interest accrued for year 1925 on Notes, due	
Dominion Government	\$3,616,027 80
Interest on Government Advances	498,603 44

\$4,114,631 24

Depreciation	2,635,762 52
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What basis do you figure "depreciation" on?

Mr. TEAKLE: Four per cent, sir.

The CHAIRMAN: Adjustment—

Department of Marine and Fisheries Account . .	\$78,383 91
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What does that mean, Mr. Teakle?

Sir EUGENE Fiset: Does depreciation include losses made on the vessels?

Mr. TEAKLE: No sir. Those are odds and ends that we straighten out with the Department, carried in "Suspense."

The CHAIRMAN: Those items total up	\$6,828,777 67
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Less: Reserves written back	109,318 07
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Leaving a total loss of \$7,667,512 94

Mr. JELLIFF: What is that item of "Reserves written back, \$109,318.07" mean?

Mr. DAVIDSON: Charging every item during the year that we could write back, that we did not require.

Mr. BOYS: What was the ratio of expenses in 1925 as compared with 1924?

Mr. TEAKLE: In 1925, it was 98.94, and in 1924 it was 103.08.

Mr. BOYS: Have you the other figures for the previous year? I think it would be interesting to get them.

Mr. TEAKLE: I have not got them here now, we just have the two years now.

Mr. BOYS: I do not want to delay the work of the Committee now, if it is going to take any time.

Sir EUGENE Fiset: Could you repeat what you said a moment ago, Mr. Davidson?

Mr. DAVIDSON: I think I said that the amount of \$109,318.07 written back for reserves was intended to take care of outstanding claims, and as we came along towards the end of the year, we found that we did not require them, so we wrote them back.

The CHAIRMAN: The total therefore of fixed charges, I suppose you might say, and depreciation, is \$6,719,459.60; making a total for the year of \$7,667,512.94.

Sir EUGENE Fiset: Charging depreciation on the standard ratio?

Mr. TEAKLE: Yes.

Mr. JELLIFF: What was the total loss last year?

Sir HENRY THORNTON: Do you want the operating loss?

The CHAIRMAN: The figures of the total loss?

Sir HENRY THORNTON: \$8,836,609.37.

The CHAIRMAN: About \$1,200,000 better than last year.

Mr. BOYS: What is the difference in your depreciation in the two years?

Sir HENRY THORNTON: The same depreciation.

Mr. BELL: It will be less this year.

The CHAIRMAN: It will be less because you sold some vessels.

Mr. JELLIFF: I have it last year as \$2,929,584.86.

Sir HENRY THORNTON: That is right.

Mr. JELLIFF: This year it is \$2,635,752. About \$300,000 difference.

Mr. DAVIDSON: \$293,800.

Sir EUGENE Fiset: That is due to the sale of some ships.

Sir HENRY THORNTON: Yes. There were a less number of ships on which to apply the depreciation.

Mr. HEAPS: Was that taken on the original cost of the fleet?

Sir HENRY THORNTON: Yes.

Mr. HEAPS: That will be for twenty years.

Sir HENRY THORNTON: Four per cent for ten years would be forty per cent.

Mr. HEAPS: Figuring on the present day value? Taking the depreciation on the original cost, would that show the value?

Sir HENRY THORNTON: I do not know. That may be right. Mr. Heaps asks if the present depreciation, applied on the cost of the ships, would not, on the basis of present day reproduction cost, indicate the cost of the ships in the ten years. It would be very close.

Hon. Mr. DUNNING: On that item of \$1,818,339, interest cancelled on notes due the Dominion government. That is taken off year by year. The Dominion has absorbed that.

Mr. HEAPS: What was the total amount put aside for depreciation last year?

Sir HENRY THORNTON: \$2,635,762.52.

Mr. HEAPS: I am just wondering how many years has that rate been used.

Sir HENRY THORNTON: How long have we been applying this four per cent?

Mr. TEAKLE: Since 1920, it was increased in 1920.

Mr. REYS: I did not quite understand what you meant by that Mr. Dunning, interest absorbed by the government.

Hon. Mr. DUNNING: I meant that when a vessel is sold, there is interest due to the government with respect to the vessel, which has been unpaid, the same as any other interest that is cancelled; and from the commencement of the operation of the Merchant Marine. That \$1,818,000 represents the total cancellation with interest, due to the government, from the Merchant Marine.

Mr. REYS: From sales?

Hon. Mr. DUNNING: No, the cancellations of interest only; of interest due or overdue at the time the vessel was sold. There was no object in maintaining the item in your books with respect to a ship that was already gone. Apparently the government decided that the best thing to do was to write that off as far as the Merchant Marine was concerned; there is no use in allowing it to pile up with respect to vessels already sold. It shows here very clearly.

Mr. BELL: Take it in another way; take the "Navigator." That boat cost say \$1,000,000 and the interest was accumulated to \$227,000, and they sold the "Navigator" for \$100,000. Then the \$100,000 went to the Finance Department and the notes for \$1,170,000 were written off against the Dominion account.

Hon. Mr. DUNNING: They were cancelled.

Mr. BELL: Yes.

Mr. BELL (St. Antoine): Did you say the depreciation was the same as last year?

Sir HENRY THORNTON: The same rate, but there were fewer ships on which to apply the depreciation. The percentage rate is the same, but the amount is different.

Mr. ROBICHAUD: Is there any mention of the value that was received for those vessels that were sold?

Mr. BELL: Yes, the price should appear some place.

Mr. POWER: That was asked for at the first meeting, and I think Mr. Teakle could give us a statement of it.

Mr. ROBICHAUD: I do not see anything here.

The CHAIRMAN: He is bringing it Mr. Robichaud.

Mr. CLARK: I wonder if Mr. Teakle can answer my question now. If not I am quite content to let it go at present.

Sir HENRY THORNTON: He is figuring on it and will need two or three minutes.

Mr. HENRY: (Produces a document headed "Steamers sold").

Sir HENRY THORNTON: As to this document that Mr. Henry is submitting, Mr. Chairman, this contains the information that was asked for at the last meeting. The names of the steamers sold; the deadweight tonnage; the original cost; name of the purchaser; the sale price; and the price per ton at which the purchaser bought the ship.

STEAMERS SOLD

Steamer	Dead-weight	Original Cost	Purchaser	Sale Price	Price per ton
T. J. Drummond.....	3,501 tons	\$ 550,339 13	N. M. Paterson & Co., Ltd., Fort William, Ont.	\$ 110,000 00	\$ 31 42
J. A. McKee.....	3,575 "	521,514 11	" " "	110,000 00	30 77
Sheba.....	3,400 "	151,099 90	The Manor Line, Ltd., Agents, C. Angell & Co., Cardiff, Wales.....	£ 17,000 81,600 00	24 00
Canadian Miner.....	2,778 "	583,467 40	Wm. Hansen, Esq., Bergen, Norway.....	£ 30,000 (96,000 00)	34 57
Canadian Sealer.....	2,776 "	583,362 66	" " "	£ 20,000 (96,000 00)	34 57
Canadian Logger.....	3,838 "	704,120 54	Sir Thomas Wilson, Belfast, Ireland.....	100,000 00	26,05
Canadian Pathfinder.....	3,640 "	957,232 90	N. M. Paterson & Co., Ltd., Fort William, Ont.	50,000 00	13 74
Canadian Engineer.....	3,678 "	1,018,102 81	" " "	50,000 00	13 60
Canadian Adventurer.....	3,408 "	717,467 49	James Playfair, Esq., Midland, Ont.....	40,000 00	11 73
Canadian Sailor.....	3,357 "	690,409 84	" " "	40,000 00	11 92
Canadian Signaller.....	3,975 "	814,926 25	" " "	40,000 00	10 06
Canadian Sower.....	3,406 "	716,856 63	" " "	40,000 00	11 74
Canadian Trader.....	3,341 "	686,905 38	" " "	40,000 00	11 97
Canadian Warrior.....	3,995 "	819,671 26	" " "	40,000 00	10 01
Canadian Harvester.....	4,000 "	731,099 67	Canada Atlantic Transit Company.....	50,000 00	12 50
		\$10,246,575 97		\$ 983,600 00	

Mr. POWER: What was the total amount of sales?

Hon. Mr. DUNNING: \$983,600.

Mr. POWER: And what is the total amount of the cost of construction?

Hon. Mr. DUNNING: \$10,246,575.97.

Mr. CLARK: Sold for how much a ton?

Hon. Mr. DUNNING: Sold at prices varying from \$34 down to \$10.01.

The CHAIRMAN: Some of them had already been provided for by depreciation.

Mr. CLARK: What is the average cost of tonnage to-day, new?

Sir HENRY THORNTON: Ship for ship and class for class, the price at which those ships were sold, per deadweight ton, corresponds favourably with the market sale price of such a ship. In other words, before we sold any ship we reviewed the market and if the purchase price was less than the going market price for that kind of ship, we rejected the bid. If on the other hand it was favourable, we accepted it.

Mr. CLARK: The cost of construction new would be several times that amount.

Sir HENRY THORNTON: No, not several times that amount. Probably more than that amount, but not several times it.

Mr. HEAPS: It was several times that at one time but has come down considerably since.

Sir HENRY THORNTON: Yes, these ships were built under conditions which caused the very high deadweight price.

The CHAIRMAN: You would not build that kind of ship now would you?

Sir HENRY THORNTON: Probably not.

Mr. CLARK: The cost per ton of construction to-day is lower than it has been since the war. You could not have built them for anything like the price that it is to-day.

Sir HENRY THORNTON: What do you say to that Mr. Teakle? As I understand the general question it is this, roughly speaking: how much less is the sale price per deadweight ton than the reproduction price to-day?

Mr. TEAKLE: I cannot answer that with any degree of accuracy, because I have not checked the market with regard to those particular ships, and since our ships were built, the idea of construction of ships has almost entirely changed. For instance, they are going in very heavily now for Diesel tonnage, which is fairly expensive in the building price but economical otherwise. There is also a large development in the turbine for the Atlantic trade. There are a good many factors come in which make it difficult to compare our ships built for a particular purpose, at a particular time, with the ships built to-day.

Mr. CLARK: There would be no demand from builders for this class of ships.

Mr. TEAKLE: No, unless you took a class of ships such as "Canadian Cruiser." The "Manchester Regiment" is one of the finest ships coming into Montreal and she is Turbine.

Mr. CLARK: Is it not a fair statement that the cost of producing ships to-day of this type would be \$125 to \$175 per ton?

Sir HENRY THORNTON: No.

Mr. BOYS: Cannot you give us an approximate idea of the difference between your sale price and the present day price?

Mr. TEAKLE: I would say off-hand, qualifying my remarks with the statement that I have not checked as yet, that you might lay down in a British yard a ship of the type of the "Canadian Pioneer" for something like £9 or £9.10 per ton, or roughly \$45.

Mr. HEAPS: And what was the price you got for ships of that class?

Mr. TEAKLE: We did not sell any of that size. The smaller ships cost more proportionately to build.

Mr. BOYS: Do you mean to say you realized something like fifty per cent of the present day cost?

Mr. TEAKLE: I would have to figure it out.

The CHAIRMAN: Mr. Heaps has the statement that was produced. If you will look at that.

Sir HENRY THORNTON: The question as I understand it is this: How much less per deadweight ton did we sell these ships, than that same ship of the same class and character could be built to-day?

Mr. BOYS: That is it exactly. We are given approximately \$45 a ton in this statement. Your price has ranged from, the least \$10.06 apparently, and the highest \$34.

Sir HENRY THORNTON: Can you give the figures on that Mr. Teakle?

Mr. TEAKLE: Yes, Mr. Chairman, to-day they are not building small ships such as we have. Take for instance 2,800 tons.

Mr. BOYS: You could get them built if you wanted them.

Mr. CLARK: Per deadweight ton, those ships cost more than the heavier weight ship?

Mr. TEAKLE: Yes, proportionately.

Mr. CLARK: In regard to the price of a heavier ship of 8,000 tons, we will say, I am suggesting that in Canadian ship yards the price per deadweight ton is

several times the price for which these ships were sold. I am not suggesting that they were sold for less than the market price at all, but merely trying to find out a fair comparison between the sale price and the cost of reproduction in, say, Canadian shipyards to-day, which I think would be many times the price of sale.

Sir HENRY THORNTON: How long would it take us to get enough information to give an intelligent answer?

Mr. TEAKLE: I think we can have it to-morrow or next day.

Mr. BOYS: I think the General is quite wrong in stating this.

Mr. CLARK: I am not.

Mr. BOYS: I am not saying you are. But when you say the cost in Canadian shipyards is many times the cost in Great Britain.

Mr. CLARK: No, I did not say that. I said many times the cost at which the ships were sold.

Sir HENRY THORNTON: I think I understand your question, General, and we will try to give an intelligent answer to that question to-morrow. Of course it must be understood that in spite of all our efforts to have all our data here, some questions may be asked that we cannot answer immediately. I think by to-morrow we can give an intelligent answer to the question.

Sir EUGENE Fiset: Could you not add another column to the statement you have already supplied?

Hon. Mr. DUNNING: Of what value for comparative purposes is that information?

Sir EUGENE Fiset: The question would bear on that subject matter; the prices at which the ships were sold as compared to the cost of building that ship in Canada at the present time.

Mr. POWER: You cannot get those figures. You cannot submit a statement to a ship builder here in Canada and say how much would you charge to build a ship like that.

Sir HENRY THORNTON: We can give our best knowledge of what that price would be. It may not be right but it will be as near as we can get.

Mr. CLARK: We know the ship builders who built each one of these ships. Supposing the Wallace Shipyard of Vancouver built the "Canadian Pathfinder", we could easily ask them for how much per deadweight ton would they build the same ship to-day.

Mr. HEAPS: I think any information we get for this Committee should be of some real value to the Committee. Personally, I do not see what earthly value all this information is going to be when you get it. After all the value of any commodity is the price that it will bring in the present day market. When you have second hand stuff, it may have to be sold as junk; absolutely independent of what such a commodity would cost new to-day.

Sir HENRY THORNTON: The United States Shipping Board sold a number of their ships at a purely scrap value. And those ships are now being cut up for scrap.

Hon. Mr. DUNNING: Incidentally blocking some of our canals.

Mr. HEAPS: You had to get the best price you could. To me the important question is, what was the market value of that or a similar commodity, under the same circumstances, either here or adjacent to where you have the ships.

Sir HENRY THORNTON: The question then is: Having regard to all the circumstances, was proper business intelligence and honesty employed in the sale of those ships?

Mr. HEAPS: Yes.

Sir HENRY THORNTON: That is the thing we are really trying to get at.

Mr. HEAPS: If you get a price on ships of a similar character in Canadian yards, it will tell you nothing. You might, in some other yard, in some other

part of the world, get the same ship at probably half the cost. The person who is going to buy that ship is not going to be determined by Canadian prices but by the world price.

Sir HENRY THORNTON: If the Committee want the information, we will get as satisfactory and intelligent an answer as we can by to-morrow.

Mr. CLARK: I might want to follow this up with something that might convey a more business like purpose to Mr. Heaps than I have at the moment.

Mr. HEAPS: I would be glad to get all the information I can, but if you are going to get purely Canadian prices, let us know from some authority the actual value of a similar class of ship at the time these were sold.

Mr. CLARK: Mr. Teakle has got what the British price would be, and I am interested in British or Canadian.

Hon. Mr. DUNNING: You will appreciate the purchaser would take into account where they could buy those ships, regardless of Canadian or British prices. Probably the Committee would be interested in the way you went about selling these ships. You advertised the sale of the ships in the Shipping Journals?

Sir HENRY THORNTON: Yes.

Sir EUGENE Fiset: We did have that information I think.

Hon. Mr. DUNNING: You had therefore to be guided by the market prices, to get better prices than the bids resulting from advertising for tenders.

Mr. BELL: In making comparisons, I presume you have to add the depreciation over a number of years from the time the ships were built.

Hon. Mr. DUNNING: The depreciation in every case amounted to more than the value of the ship when sold. The figures are here.

Mr. ROBICHAUD: Is it the intention of the Board of Directors to sell any more of these ships in the coming year?

Sir HENRY THORNTON: No.

Mr. BOYS: Have you a record of the ships sold and names of the purchasers?

Sir HENRY THORNTON: Yes, that is shown in the sheet produced a few minutes ago.

The CHAIRMAN: Mr. Teakle, it seems to me it is not quite fair to make a comparison of what those ships were sold at, with the price the ships could be built for now. There is probably a good point in what you are asking, General, but if you were building ships for your purposes, you would not build them in the way these ships were built, would you Mr. Teakle?

Mr. TEAKLE: No.

The CHAIRMAN: Would not that affect the matter of price?

Mr. TEAKLE: Yes. If I understand what General Clark has asked for, it is this: We have the knowledge of what the ships cost originally, in 1920 or 1921, when they came out of the yard; what we sold for in 1924 to 1925; and then he wants to know what that ship would cost to-day if you were going to build her. I have just said to the President, if we are to get down to anything like accurate figures, I would want a couple of days and my purpose would be to wire to the builders who built these ships and ask them what they would duplicate it for. But on that basis it would not be an exact picture, because some of these ships were seven years old.

Hon. Mr. DUNNING: And as a matter of fact you would not have those ships to-day.

Mr. TEAKLE: Not in the trade we are in.

Hon. Mr. DUNNING: And you have to take off the price the builder said he would build it for, the amount which you have already set up at 4 per cent per annum, of depreciation on the vessels, and you might get less than nothing in some cases.

Sir HENRY THORNTON: I want to make sure that the General and I understand each other as to what information we want. Have we got it right?

Mr. CLARK: I think so. Mr. Teakle hit the mark in his last statement, as far as I am concerned.

The CHAIRMAN: Mr. Robichaud has a question.

Mr. ROBICHAUD: I think we have this right now. The purchasers of those vessels bought them because they were a certain class of second-hand goods; used vessels; not up-to-date. I do not see how General Clark's question can throw any light on the matter. What I should like to know is this, have those vessels been sold for a fair market value? That is to say: have the purchasers of those vessels paid a fair market price for what they got?

Sir HENRY THORNTON: In other words, your question is; have those who sold these vessels acted with fidelity to the people of Canada as trustees of the equipment?

Mr. ROBICHAUD: The Board of Directors would not build this type of vessel now and probably the purchaser would not either. They would build a modern vessel. Therefore I think in selling those vessels they have to go at a very large sacrifice.

The CHAIRMAN: The cost of building them can hardly be compared with what they were sold at.

Mr. ROBICHAUD: Absolutely not.

Mr. HEAPS: I think Sir Henry Thornton said he had some of the original bids put in for these ships. I wonder if he could have those brought down here in the next day or so.

Mr. TEAKLE: We have refused bids at different times, and sold them at what we consider the best prices.

Mr. BOYS: To pursue this with a certain amount of definiteness, I would call attention to the following ships: "Adventurer," "Sailor," "Signaller," "Sower," "Trader" and "Warrior." I take those because I see everyone of them were sold at \$40,000. I would like to ascertain exactly what was done to secure the sale of those ships. Was each ship advertised separately or were they advertised en bloc, and what tenders were received?

Sir HENRY THORNTON: Will you answer that, Mr. Teakle?

Mr. TEAKLE: They formed a lot of some 27 ships that we had authority to sell. They were advertised all through the country. Speaking from memory, I do not think we got a bid for any of them.

Mr. BOYS: Were the particular ships I am inquiring about included in the ships you refer to?

Mr. TEAKLE: Yes. Then we set about private inquiries, meantime trying to keep the ships going to pay their way; turning down such private inquiries as we did not think were sufficiently attractive, and selling them when we did think we were getting a fair price for them.

Mr. BOYS: Of course that is a general statement, and I am not doubting it for a moment, but it seems to me that, to test the matter, we should have something laid before the Committee to show what inquiries were made and how it was that all these ships were sold for exactly the same sum of money.

Mr. TEAKLE: We sold six of them for \$40,000 apiece. They were lying idle, and getting the six taken at once at that price, we considered it a good proposition. It might also be mentioned that those ships were sold on the basis, as we understand it, of "as is and where is." That is, lying in the port wherever she may be, at anchor or dismantled; the buyer had to link her up and put her in shape before getting her to sea. How much he spent I do not know.

Sir HENRY THORNTON: Your first question is: What effort was made to put those ships up to bid. Now the ships that were available for sale were advertised in the Marine World, were they not?

Mr. TEAKLE: We advertised them all over, even in England.

Sir HENRY THORNTON: They were advertised in several marine journals and no bids were received. Then not being able to sell them by competitive bids, as opportunity presented and as an inquiry came in which looked as if it might be an attractive price, we proceeded to negotiate with that particular buyer, and if we got him to the point where the price was acceptable, we accepted it.

Mr. BOYS: Were bids to be received for all the ships as a lot, or for any one of them?

Sir HENRY THORNTON: The advertisements said that tenders might be submitted for one or more of the entire 27 vessels; tenders to be accompanied by cheque for 5 per cent of the amount of the tender; cheque to be made payable to the order of the Canadian Government Merchant Marine, and accepted by a chartered bank; the highest or any tender not necessarily accepted. And also that plans and specification of steamers could be seen, and particulars of the ships.

Mr. BOYS: That advertisement was inserted in what papers?

Mr. TEAKLE: We had it all over. I have not got the list here, but we can give you a list of them.

Mr. BOYS: Would you say half a dozen?

Mr. TEAKLE: More than that.

Sir HENRY THORNTON: Would there be a dozen?

Mr. TEAKLE: More than that, Sir Henry.

Mr. HEAPS: Will you give us a list of the papers?

Sir HENRY THORNTON: Certainly, we will give you that.

Mr. BOYS: Then we understand there were no tenders received from any person, or corporation in answer to the advertisement referred to?

Mr. TEAKLE: Not from memory, Mr. Boys.

Mr. BOYS: If you say it is so, I will at once accept it, but, if you are not sure of it, I think we should have this information.

Sir HENRY THORNTON: As far as I remember, we had no tenders, but we will look it up and submit to you any tenders we have received.

Mr. BOYS: I may say that I have heard some criticism over this very thing. Personally, I do not want to use any criticism, unless it is just.

Sir HENRY THORNTON: There is no one more anxious to give out all information than ourselves; we are anxious to tell you everything we can, everything that is in our power.

Mr. BOYS: I know that thoroughly, Sir Henry, but if this criticism is not justified, it should be cleared up. We require to know that you advertised the vessels, and that no tenders were received, and we should also know with some degree of certainty to whom you wrote. You had very few persons or corporations in Canada to whom you could sell, or who might wish to buy, and the information should be easily obtained. I think it would also be well to give a copy of the letters which were sent, and to whom they were sent.

Sir HENRY THORNTON: We will get everything you want, Mr. Boys.

Mr. BOYS: Not every thing, but every possible thing.

Mr. POWER: I understood yesterday that somebody had tendered on the boats, but that the tenders were so low, that no business could be done.

Sir HENRY THORNTON: Those were thrown overboard, as far as we were concerned.

The CHAIRMAN: However, we are assured that we will get all the figures.

Hon. Mr. DUNNING: In regard to General Clark's questions, and the statement which is to be submitted, I think also in the same statement should be included the amount set up for depreciation, as a deduction from the prices at which you could complete those vessels.

Mr. Boys: That is what was in my mind. If you get for a motor or any other piece of machinery about 50 per cent of the value of it, you are doing pretty well, although you might be able to show you were successful in getting 35 or 40 per cent of the cost.

Hon. Mr. DUNNING: I doubt if we could get that much.

Sir HENRY THORNTON: The low price to some individual buying a boat might mean that he wanted it for some particular trade, by which he could make more out of it than we could make out of it. You know, there are certain trades in which we cannot embark.

Mr. Boys: There is one other question, which appears to me to be important. Why were the vessels shown on this statement headed "Steamers sold"—why were they sold, what was the reason for that; was it because you had no use for them?

Mr. TEAKLE: We could not find a profitable trade for them, Mr. Boys.

Sir HENRY THORNTON: So we had no use for them.

Mr. BELL (St. Antoine): Were those vessels sold of the same type as the vessels you have now in use?

Mr. TEAKLE: We have four on the Pacific coast of the largest size, thirty-sevens that are operating; we have two tied up in Halifax which we will make use of now, in view of the fact of the West Indies situation.

Mr. Boys: If your explanation of the expenses due to increased business is correct, will you not have use for those ships?

Mr. TEAKLE: No, they are not large enough for us to make money out of them.

Mr. JELLIFF: What, in general, is the policy in regard to these vessels, to get them down to a reasonable working basis?

Sir HENRY THORNTON: We have not formulated any plan, as to the capitalization and so forth, of the Canadian Government Merchant Marine. We might have something before the year is out as to the Canadian Government Merchant Marine service.

Mr. JELLIFF: Do you not think that that should be done?

Sir HENRY THORNTON: I think it should be given consideration.

Mr. JELLIFF: Under your accounting system the deficit of items is running up from year to year, which would not be the case if these vessels were properly valued?

Sir HENRY THORNTON: Undoubtedly you are right.

Mr. JELLIFF: It certainly gives a very unfavourable impression.

Mr. CLARK: Do you know who is operating the ships operated by the Playfair Company?

Mr. TEAKLE: He is operating between Canada and Cuba, but some of those boats are lying idle in New Brunswick right now.

Mr. CLARK: What are their names?

Mr. TEAKLE: I do not know.

Mr. CLARK: How many are there?

Mr. TEAKLE: I think there are two.

Mr. CLARK: Have any of them been turned over to the Canada Steamship Lines?

Mr. TEAKLE: Not to my knowledge.

Mr. HEAPS: I would like to ask how many of these boats that were sold were in the service at the time of the selling?

Mr. TEAKLE: Those six the General speaks about were all idle; the "Canadian Miner," the "Canadian Sailor" and the "Canadian Logger" were idle. I think I am safe in saying that they were all idle at the time. I think one was running in the lakes at the time, but we got a favourable price for her and sold her.

Mr. JELLIFF: Can you tell us to whom some of the ships were sold?

Mr. TEAKLE: The "Drummond" and the "McKay" were sold to Mr. Patterson, and I think he is utilizing them in his grain and coal business now.

Mr. JELLIFF: Had you any idea, at the time we sold those boats, which were used in the grain trade on the lakes, of replacing them with more suitable boats for lake traffic?

Sir HENRY THORNTON: The boats were unsuitable for the grain trade. They were not suitably built for that purpose. Tonnage on the lakes is tonnage which is suitable for that trade, but entirely unsuitable and impossible to use in general ocean trade. These vessels were not suitable for the grain trade; it costs about twice as much to unload one of our vessels in the grain trade than it would take to unload tonnage built for that purpose, so that we did not consider the construction of new tonnage adaptable to lake trade. For lake navigation, it would involve a great deal of change, and a great deal of expense. Our reason was that there was a great deal of competition on the Great Lakes, and we thought that it would be better to keep out of that field, and devote ourselves to the original purpose for which our Canadian Government Merchant Marine was built; that is to say, ocean tonnage.

Mr. JELLIFF: You were endeavouring to make your Merchant Marine contribute back and forth with your National Railways on side-line operations?

Sir HENRY THORNTON: Precisely.

Mr. BOYS: I think we know why they were not suitable in the lake trade, but even though they were not suitable, there was a reason, and I think it advisable to have it spread upon the record. Why were they not suitable for the lake trade?

Sir HENRY THORNTON: They were built for the ocean trade, and necessarily involved structural bracing which is not necessary, as I understand it, for lake tonnage. A lake tonnage vessel is open from half way to the engines, after the hatch is open. There are not structural obstacles or anything like that inside, but you cannot build an ocean vessel that way; it will not stand up.

Mr. BOYS: You say they are not suitable for unloading?

Mr. TEAKLE: That is one thing.

Mr. BOYS: Is there anything else but that?

Sir HENRY THORNTON: I cannot think of anything else but that.

Mr. TEAKLE: And they will not carry the capacity, Mr. Boys.

Mr. BOYS: It would be interesting if we had a statement from somebody who is familiar with it, as to why these vessels were not suitable.

Sir HENRY THORNTON: Capacity and structure, Mr. Boys.

Mr. BOYS: What use are they being put to now?

Mr. TEAKLE: The "Canadian Sheba" was sold foreign, the "Canadian Miner" was sold foreign, the "Canadian Sailor" was sold foreign, the "Canadian Logger" is running from Montreal, and the lower provinces and around on the Pacific coast up to Vancouver. Some of them are operating, others are tied up.

Mr. BOYS: Operating where?

Mr. TEAKLE: Last winter I understand definitely he operated some between St. John, New Brunswick, and Cuba.

Sir HENRY THORNTON: Whom do you mean when you say "he?"

Mr. TEAKLE: Mr. Playfair. This summer, I understand, he is going to operate them in the Newfoundland interests.

Mr. BELL (St. Antoine): How many did he have operating between St. John and Cuba?

Mr. TEAKLE: Five; weekly trips, or semi-monthly trips.

Hon. Mr. DUNNING: You were asked how many of the Merchant Marine he had operating?

Mr. TEAKLE: The sold steamers, the steamers that were sold? You mean, how many were operating from St. John to Cuba?

Mr. BELL: I want to know if any of the Merchant Marine steamers were sold for the Cuba service?

Sir EUGENE Fiset: Show the exact reason why you were induced to sell the ships, so that we will have it here in black and white.

The CHAIRMAN: I think that answer was given to the Committee.

Sir EUGENE Fiset: But it does not seem to be absolutely satisfactory.

Sir HENRY THORNTON: In what respect is it unsatisfactory? I take it for granted that one of the objects of this Committee is, to have an absolutely full and frank answer to every question. In what way is it unsatisfactory?

Sir EUGENE Fiset: What official in your department recommended the sale of those ships; why were they unsuitable, and how were they not suitable? I think it is important that it should be in writing, and that it should be included in our report. It would be more satisfactory to the Committee, and more satisfactory to the officials of Parliament.

The CHAIRMAN: Is there anything else that you can think of or that you can suggest?

Sir HENRY THORNTON: I do not know of anything more that I can give. If the General would like to give a written statement of these questions, and have them answered in writing, I would be glad to do so.

Sir EUGENE Fiset: If your officials will look it up formally, it will be all right.

Mr. POWER: Mr. Chairman, I see that Colonel Mullins is present, and I think he would like to be heard before this Committee. I would move that Colonel Mullins be heard now. I understand that he has an engagement before the Committee on Agriculture.

Mr. JELLIFF: I second the motion.

Motion agreed to.

Col. MULLINS: Mr. Chairman and gentlemen, I thank you for the courtesy extended to me. I have to attend an important meeting of the Agriculture Committee, and having Mr. Teakle here, I would like to make a statement now, and to make it as short as possible. Mr. Teakle no doubt, is aware of the business in hand, and the questions I want to ask. I would like to know if we still have those twenty-four ships of 8,000 tons each?

Mr. TEAKLE: Yes.

Col. MULLINS: Have you the "Victor?"

Mr. TEAKLE: Yes. We have the twenty-four 8,000 ton ships.

Col. MULLINS: So that I may speak intelligently on this subject, what is wrong with the ships for cattle carriers?

Mr. TEAKLE: They were not designed, as you know, for cattle carrying. They were, as we all know, ordinary cargo-carrying ships.

Col. MULLINS: Are they very expensive in design, those cattle carrying ships, those of the Jensen Lines?

Mr. TEAKLE: To fit out an 8,000 ton boat on the same basis as the rest?

Col. MULLINS: Yes?

Mr. TEAKLE: I would not be positive.

Col. MULLINS: Could they be constructed for cattle ships?

Mr. TEAKLE: The same as the Jensens?

Col. MULLINS: No, to carry 500 or 600 cattle?

Mr. TEAKLE: If we could cover all the main deck. As you understand, the top and the after-space and the under-bridge are of a light steel structure. I have done a lot of figuring, and I think they might carry 380 head on the deck. That would probably cost us \$45,000 a ship, to do that.

Col. MULLINS: That is a small figure, considering the amount of trade?

Mr. TEAKLE: They only have two decks. I am talking about the exposed, or the main deck, the top deck exposed to the weather. Then we have the

'tween deck. We have the main deck, and the exposed weather deck, then the lower hold; that is, on the 8100 type of ships which we have.

Col. MULLINS: Is there good ventilation?

Mr. TEAKLE: Fairly good. If you are going on a 'tween deck ship, we would have to have some explanation.

Col. MULLINS: The "Victor" boat carries 233 cattle?

Mr. TEAKLE: Yes.

Col. MULLINS: And it could take 270?

Mr. TEAKLE: Not under present-day conditions in the ordinary spaces. You are thinking of the special instance where we diverted a ship to Dundee.

Mr. DAVIDSON: In regard to the ship diverted to Dundee, it is my recollection that the contract was made with us on the basis of a lump sum in freight, to send the ship to Dundee.

Col. MULLINS: What difference does it make where she goes?

Mr. DAVIDSON: There is the length of the voyage. The four cattle ships operating from Montreal are on a definite run from Montreal. To send one of them to Dundee involves a deviation of many days to go away up north and then in to the channel ports.

Col. MULLINS: I wired Mr. Campbell to get in on some freight, and he said the boat was going to Dundee. As you know, the Donaldson Line and the rest of the boat companies, have four or five spaces. The capacity of the "Victor" is 233 cattle?

Mr. TEAKLE: Correct.

Col. MULLINS: On a two-foot-eight space?

Mr. TEAKLE: Yes.

Col. MULLINS: You say to go up to 270 cattle, or 270 spaces, and for me to pay \$25 a head?

Mr. TEAKLE: That was the contract made with Mr. Campbell, on your behalf.

Col. MULLINS: I was forced to do it; I had the cattle, and I had to get them over.

Mr. TEAKLE: You were not asked to do anything more than other people under the circumstances. It was only because Mr. Campbell represented the shippers who used the ships, and he was anxious to have us go to Dundee, when no other line would go to Dundee. I said to Mr. Campbell that if we were going to meet our expenses, we had to have so much money.

Col. MULLINS: Did you have any other freight?

Mr. TEAKLE: Not another pound.

Col. MULLINS: Then I want to ask you this; that if you put only 233 cattle in 233 spaces, you pay for 233 spaces—am I not correct—to the White Star Line?

Mr. TEAKLE: You have that with us too.

Col. MULLINS: We pay for the spaces?

Mr. TEAKLE: You pay for the cattle carried.

Col. MULLINS: We pay for the two-foot-eight spaces, and if we have five in four spaces, we are allowed ten per cent, am I not correct?

Mr. TEAKLE: You are correct.

Col. MULLINS: I understood when I made the contract, if I did not put it in words, that I would not be charged with the additional freight you charged me of \$25 a head to go to Dundee.

Mr. TEAKLE: To put five in four spaces.

Col. MULLINS: But you charged me also for 270 cattle?

Mr. TEAKLE: Yes, on the basis of five in four spaces.

Col. MULLINS: But I did not have five in four spaces.

Mr. TEAKLE: We made our arrangement for a lump sum, based upon the payment of a rate for so many cattle, up to the ship's capacity.

Col. MULLINS: The ship's capacity was only 233, I understood.

Mr. TEAKLE: No. 270.

Col. MULLINS: Putting five in four spaces, you bring it up to 270. But my cattle were all big, and you had no right to charge me in that way. Other boats are not doing it. You are charging the producer more money than the old line companies.

Mr. TEAKLE: The old line companies at that time were not prepared to go to Dundee, and we were asked to go; we were asked on what basis we would go, and we said we would go on such and such a basis, and we were told that it was satisfactory.

Col. MULLINS: Yes, at \$25?

Mr. TEAKLE: Let me explain myself more clearly. At \$25 on the basis of the ship's capacity of 270 cattle.

Col. MULLINS: But the ship's capacity is only 233?

Mr. TEAKLE: We carry 270 very, very often. I do not mean heavy cattle, I mean light cattle; five in four spaces.

Col. MULLINS: But if I do not want to put five in four spaces, on the regular liners, I am not compelled to do so.

Mr. TEAKLE: No, but you were compelled to pay enough money to warrant our going to Dundee, whether you put on 233 or 270.

Col. MULLINS: But why did you extract the freight payable before the ship sailed?

Mr. TEAKLE: It is customary to collect the freight before the ship sails.

Col. MULLINS: No, not in the forty years I have been crossing the Atlantic, did I ever pay advance freight. Suppose you went out a hundred miles, or fifty miles and went ashore, where would I be with my freight?

Mr. TEAKLE: Well, where would we be?

Col. MULLINS: But you are insured against your wreck, while I am not insured with my \$6,500 which you take from me.

Mr. TEAKLE: It is an insurable risk.

Col. MULLINS: By whom, by me?

Mr. TEAKLE: Yes, certainly.

Col. MULLINS: No, I have no right to insure my freight.

Mr. TEAKLE: But you can insure your risk, can you not?

Sir HENRY THORNTON: We pursued a different policy, and demanded that you pay the freight on those cattle before they started?

Col. MULLINS: Yes, you charged me freight before they left, and I never had that before in fifty years I have been shipping cattle. You made me pay \$6,500 before you earned it.

Sir HENRY THORNTON: Did the cattle get there?

Col. MULLINS: Splendidly. They walked ashore, every one of them.

Sir HENRY THORNTON: Nobody was hurt, then?

Col. MULLINS: But suppose I had gone out 100 miles and got hurt?

Sir HENRY THORNTON: All right, if you had come to me we would have fixed it up.

Col. MULLINS: I believe you would have fixed it up, but it was the extraction of it before leaving, and leaving room for an argument. I never had these things happen around here. At Anticosti I have had ships all around there, and they did not get outside, in the open water.

Sir HENRY THORNTON: You think we were a little unduly severe in the deal?

Col. MULLINS: Yes, in that one instance.

The CHAIRMAN: Is it the general practice, to collect freight in advance?

Sir HENRY THORNTON: That is my understanding of the general situation, and the other lines are doing it to-day.

The CHAIRMAN: You were not making any exception in the case of Col. Mullins?

Sir HENRY THORNTON: No.

Col. MULLINS: When I am shipping by the Donaldson Line, or the White Star Line, my freight is payable in England, not Montreal, and you have the exchange added. I am not laying a claim for it, because I want to help the line as much as I can.

Sir HENRY THORNTON: We want to help you, but I am afraid your cattle were too broad to put 270 in a boat. So you paid the freight before the ship sailed.

Col. MULLINS: You have to encourage the men in the west, if you are going to get any business there.

Sir HENRY THORNTON: I can assure you that if there has been anything unsatisfactory or unduly rigorous in your case, we will be glad to make it satisfactory to you.

The CHAIRMAN: I do not want to stop you, Colonel Mullins, but I think this is hardly a matter which should come before the Committee. Your differences with regard to their methods of doing business, I think should be left with the Canadian Government Merchant Marine.

Mr. POWER: Sir Henry had better take Col. Mullins out to dinner and discuss the matter with him there.

The CHAIRMAN: We cannot dictate the policy of the company.

Col. MULLINS: We are not dictating their policy, we are trying to get at the policy of the Merchant Marine.

Sir HENRY THORNTON: As far as our knowledge goes, Colonel Mullins, if we have treated you in any way unfairly, we will have it made right.

Col. MULLINS: As a producer in the west, trying to get to the markets of the world, is it not possible that some of these ships can be made to carry cattle, inasmuch as the Jensen Line is doing it?

The CHAIRMAN: That is a legitimate question.

Mr. TEAKLE: Col. Mullins understands ships. On the main or weather deck, we should, if we had the money, put a light steel shelter which would comply with the law. It would mean reducing our hatch combings; we would have to cut them down, because to-day we are much higher than the low lines, and we would have to take the winches up. They are not suitable for carrying cattle. We have made temporary arrangements, and extended on either side, but all that has to be removed and we would have to build a shelter, which would cost, I should say, somewhere in the neighbourhood of \$45,000, and we might not get 380 head.

Mr. POWER: After you had done all that, could you make any money?

Mr. TEAKLE: I would not say so. We figure that on carrying 233 fat cattle at \$26 per head, we are losing \$46 a voyage.

Mr. POWER: Over and above that, you said the other day, if I understood you correctly, that the space was not taken up on all voyages.

Mr. TEAKLE: That is a question I was going to ask. If we had the authority to spend that amount of money, what surety would we have of having a deck full of cattle all the time?

Sir HENRY THORNTON: Is there enough business to take up all the space, after it has been prepared?

Hon. Mr. DUNNING: After you have once changed the ships as suggested, they would not be fitted for general cargo carriers, would they?

Mr. TEAKLE: No. We would have to take it all out again.

Hon. Mr. DUNNING: You would have to take it all out, to make it suitable for general cargo?

Mr. TEAKLE: To make it satisfactory.

Col. MULLINS: Inasmuch as there are thousands of cattle, scattered over western Canada, staple cattle, ready to come out, is it not better to have the ships on hand to encourage men on the land to engage in the cattle business? It is not for me, I am through. I am not talking about any personal interest. The Donaldson people will tell you all about it. I have been long enough at it. But I believe, Sir Henry, that the west, when it gets under way, will want your 24 ships fitted for cattle. You may have to lose a little money on them, but why cannot the Government give a million and a half for that purpose rather than give it to Patterson?

The CHAIRMAN: That is a matter of Government policy, Colonel Mullins, not Canadian Government Merchant Marine.

Col. MULLINS: Why not hand a subsidy to the Merchant Marine, to help the cattle industry? The west has to get into cattle, or the production of wheat will go down; it will go down from 30 bushels to ten, as Kansas did, if you do not do it. I do not see that the Jensen Line has gone bankrupt. Someone wrote to me the other day and said the ships were fitted in Germany. I do not care where they were fitted, I do not care if they were fitted in Timbuctoo.

Mr. TEAKLE: There was only one fitted there.

Col. MULLINS: The money is lying there; I was told by Mr. Kennedy's secretary. The money is on hand, ready for those ships when they can be completed, and fitted with Clyde fittings, not German fittings.

Sir HENRY THORNTON: Should the Canadian Government Merchant Marine put itself in a position to handle cattle, at such rates as will enable the western man to ship his cattle abroad? That is a matter of Government policy. We are willing to do anything we can in that respect.

Col. MULLINS: I hope something will be done along that line, in the interests of the trade. The cattle trade is an unfortunate industry in the west, Kennedy has a large lot of three or four thousand cattle at Edmonton; I have a place outside of Winnipeg with 500 to-day, and there are a lot of them all over the west for winter shipments. They want store cattle, but with the \$20 a head we cannot ship store cattle. We cannot ship a 1,000 pound steer at \$20, because he loses money.

The CHAIRMAN: Colonel Mullins, we are glad to have your views on this question, but it resolves itself pretty much into a matter of policy, on the part of the Government. If it involves a subsidy, certainly the Committee has nothing to do with it.

Col. MULLINS: Of course, but as to charging the freight before they go, that is something I suggest that they should not do, that they should not make the charge before they earn it.

Mr. TEAKLE: The cattle traffic is not the only traffic we collect the freight on before the ship actually sails. It works both ways, really.

Col. MULLINS: They should let us have a \$15 rate, if possible.

Mr. TEAKLE: That is not possible. I am sure a \$15 rate is not possible, even if we got \$45,000 from the Government. I am sure we could not make it in any event.

Col. MULLINS: Kennedy will do it if the Government will protect him against a war of rates.

Sir HENRY THORNTON: We must not go into any scheme which will unduly curtail the rates.

Col. MULLINS: I thank you, Mr. Chairman, and gentlemen, for having allowed me to present my case.

Mr. JELLIFF: Mr. Chairman, before Colonel Mullins goes, I should like to ask a question.

The CHAIRMAN: You are too late, he has gone.

Mr. JELLIFF: Then I want to say something about this subject. I think we have something to do with the policy of the Canadian Government Merchant

Marine. I believe this Committee is within its rights in making an original recommendation to Parliament along those lines. The fact was brought up yesterday and has been known for a considerable length of time, that the production of beef animals on the farm, outside of shipping stock, has declined a million and a quarter head since 1918, if I recollect aright, in the Province of Alberta alone, a big cattle producing country, so that we have 400,000 less than we had a few years ago. Now this thing has come pretty nearly to a crisis. Something has to be done, and the way I look at it is that if our Canadian Government Merchant Marine are not in shape to take hold of that kind of cattle at the present time, then they should shape themselves up to do it.

The CHAIRMAN: They are quite willing to do that, providing the Government will not object to the cost.

Sir HENRY THORNTON: May I say to Mr. Jelliff that if it is decided to be the policy that the Government Merchant Marine should put itself in a position to handle cattle at such a rate as will enable the western farmers to compete with foreign producers, and at the same time encourage the production of cattle in the west, then I think the thing to do, instead of revamping old ships, and messing around with ships not built for that purpose—built for another purpose and rightly so—then what we should do is to build ships properly adapted for the cattle trade, which will enable us to handle those cattle at a minimum cost, and at a minimum rate. If that is decided to be the policy of the government, of course we are the servants of the government, and will do the job as well as we can.

The CHAIRMAN: Your opinion is that you would not do that by making changes in the present ships.

Sir HENRY THORNTON: I do not think that is a good thing to do. Let us do it right or not at all.

Mr. JELLIFF: I am quite in accord with that idea. I think the government should advance the capitalization of the Merchant Marine sufficiently to put them in shape; advance them enough money to enable them to equip themselves for that traffic. We could build boats for the purpose.

Sir HENRY THORNTON: The whole thing is that these ships were not built originally for the cattle trade. Then we tried to re-vamp them. It is like trying to fix a golf suit to make it do for an evening suit; a difficult thing to do. If cattle ships are what is required, let us have cattle ships.

Mr. CLARK: If you had cattle ships could you not give a more economical rate for exporting cattle via Vancouver and the Panama Canal?

Sir HENRY THORNTON: I do not believe cattle would stand that long voyage from Vancouver through the Panama Canal. You run into some very hot weather.

Mr. CLARK: Then what about cold storage for chilled beef by that route. Have you considered that?

Sir HENRY THORNTON: Yes. You can handle chilled beef through any distance, providing your refrigeration is all right.

Mr. CLARK: You do not do that.

Sir HENRY THORNTON: No, we have not the ships.

Mr. CLARK: Are there not ships available for chilled beef?

Sir HENRY THORNTON: If you mean available in the general shipping world, I do not know.

Mr. CLARK: Why is not Canada developing that business?

Sir HENRY THORNTON: I cannot answer that.

Hon. Mr. DUNNING: I wish Mr. Mullins was here. He could tell you. The answer is that when our chilled beef gets there it becomes unprofitable to us in competition with Argentine beef. Relatively our animals are so much more valuable for the English feeder to feed up. The Argentine does not ship live cattle for the reason that they have to carry them over the Equator, and they

lost on that. That is the same as from Vancouver through the Canal. So far as we are concerned, Mr. Mullins and other cattle shippers can give you figures showing that it is much more valuable to get the live cattle there where the English feeder can develop them into something in the way of a high class article, than it would be to ship frozen meat to compete with the Argentine?

Mr. CLARK: They have not tried shipping frozen meat via Vancouver?

Hon. Mr. DUNNING: No, but we know the prices we can get on the English market, because the Argentine prices are available to us.

Mr. HARRIS: Mr. Chairman, may I rise to a point of order? We are discussing the management of the Canadian Government Merchant Marine, and we are wasting time in having the Minister answer questions raised by the Member for Burrard (Mr. Clark). We should not waste the time of these gentlemen, called here from their duties, to listen to conversation, however informing it may be.

Hon. Mr. DUNNING: Now, gentlemen, will you be good?

Mr. HARRIS: I am anxious to ask a question, Mr. Chairman.

Mr. CLARK: Before Mr. Harris puts his question, Mr. Chairman, May I finish? I have one more question to ask?

The CHAIRMAN: Of whom?

Mr. CLARK: Of Sir Henry (Thornton). The question is this, whether there are cattle carriers to-day in the shipping world for live stock?

Sir HENRY THORNTON: Oh, yes.

Mr. CLARK: Are there sufficient available?

Sir HENRY THORNTON: Is there enough cattle tonnage available for the Canadian trade? —

Mr. TEAKLE: That is a large order. We only know our own business, but trying to answer the question and taking last winter as the basis, I have a memorandum here of just what cattle we carried, and what cattle some of the other cattle ships carried.

Sir HENRY THORNTON: In other words, is the cattle trade of Canada suffering because there is not tonnage enough to haul it?

Mr. CLARK: Yes.

Mr. TEAKLE: The Robert Reford Company had 23 vessels and in these 1,200 spaces were not filled. The Furness-Withy had 622 spaces not occupied. With respect to our own cattle steamer, with 11 sailings, from St. John to Cardiff, we had a full complement for two and a part lot for one, leaving us with 2,000 unfilled spaces last season. Then the White Star have cattle ships and cancelled certain sailings.

Sir HENRY THORNTON: Then, General, the answer is yes, there is enough space.

Mr. CLARK: That is obvious. On the return voyage, what do you use the cattle carriers for?

Mr. TEAKLE: They bring out anything they can get on the other side.

Mr. CLARK: Are they good cargo ships or do you have to remove the cattle fittings?

Mr. TEAKLE: Oh, no, the space that you carry the cattle in is not wanted coming westward. You can put everything you have got in the lower hold.

Sir HENRY THORNTON: I might say this, in a general way, that one of the principal troubles of the Canadian Government Merchant Marine, is light west-bound tonnage. If we had as good a tonnage westbound as we have eastbound, we would be in a much better position. Our vessels come back lightly laden.

Mr. CLARK: I am sorry, Mr. Chairman, to have trespassed so much on the time of the Committee.

Mr. HARRIS: The General has covered my question in part. I wanted to ask how many cattle were carried by the Canadian Government Merchant Marine last year as compared with the year before.

Mr. TEAKLE: I do not think we have got that.

Mr. HARRIS: One more question based on the first. What relationship does that bear to the total increase, with the increased shipments of cattle during the last year as compared with the year before? In other words, is the Canadian Government Merchant Marine getting its fair proportion of the traffic?

Mr. TEAKLE: In a general way, I would say yes, we are getting our fair proportion.

Mr. HARRIS: You recognize that there has been a tremendous increase in the cattle trade, and there is every likelihood of its increasing. What provision is the Government Merchant Marine making for the increased business that is coming in?

Sir HENRY THORNTON: In view of the fact that we have had space greater than the number of cattle offered, we do not feel that as a business proposition we are justified in fitting any more boats for the cattle trade, until our present capacity is more nearly absorbed, and we have not seen the indication that it will be.

Mr. HARRIS: Why did you not get your proportion of the cattle offered last year?

Sir HENRY THORNTON: We have just said that we did.

Mr. DOHERTY: The figures indicate that two of the private lines were short of the number they could accommodate, and we were short two thousand in our own line. It has also been mentioned that the White Star Line saw the necessity of cancelling some of their steamers with cattle fittings, because of the scarcity of cattle. At the present time our steamers are fully booked with cattle up to the middle of July, and we expect to book along as the season advances. The steamers have been full from the opening of the Montreal season. During the last summer season, 1925, our steamers were fully booked for all voyages out of the St. Lawrence, but about the end of December we ran into a condition in the cattle market—which I cannot go into in detail—but which I know in a general way from my connection with the steamship business—which made it necessary to defer shipments. The cattle did not go in the same number. There were certain ports where they are capable of taking more cattle at certain times than others. On the other hand there were certain embargoes for foot and mouth disease. Our own port, Cardiff, was embargoed for a certain period, and the lines serving the other ports got the preference. But taking the matter in general, we have been getting our fair share of the business.

The CHAIRMAN: How does this year compare?

Mr. DOHERTY: Taking the calendar year, we are not as well off because of the shortage in shipments during the winter months.

The CHAIRMAN: Is that all Mr. Harris?

Mr. HARRIS: I have asked for some figures.

Mr. TEAKLE: I have not got those ready.

Mr. HARRIS: If I recall the answer given to General Clark a moment or two ago, you had 2,000 vacant spaces on 11 sailings?

Mr. TEAKLE: Yes.

Mr. HARRIS: Which is more vacant space than the Furness Line had. And your comparison of the traffic of your line as compared with the other lines showed that you had a good deal more vacant space than the others, barring the cancellation of the White Star Line.

Mr. TEAKLE: Yes.

Mr. HARRIS: Can you account for that?

Mr. TEAKLE: I think Mr. Doherty gave you a partial explanation, the embargo on the Port of Cardiff, preventing the cattle going there.

Mr. HARRIS: Mr. Doherty mentioned the St. Lawrence. Do you mean by that the Port of Montreal or Quebec?

Mr. TEAKLE: Both.

Mr. HARRIS: Can you give us the number shipped from the Ports of Quebec and Montreal?

Mr. TEAKLE: In our own steamers?

Mr. DOHERTY: We were about 50 per cent in each port during the last summer season.

Mr. HARRIS: Do you recall that it was said that it might be in the interests of the trade to have the cattle go direct from Winnipeg to Quebec, rather than to bring them down to Montreal, wasting 24 hours in Montreal before loading them? Before you answer that, I want to base a question on it. What progress has been made with regard to the suggestion made in this Committee last year and the year before, that you thought it would be to the advantage of the cattle industry to have shipments made from Quebec rather than from Montreal.

Mr. DOHERTY: Certain shippers are inclined to ship only from Quebec, when they can. Certain other shippers will not ship from Quebec, but prefer Montreal.

Mr. HARRIS: Why?

Mr. DOHERTY: That is something I am not competent to answer. That is their choice and we arrange our steamers to accommodate their ideas.

Mr. HARRIS: The statements made last year were different. Last year the reason given was that you could not get other cargoes. There was no difficulty with regard to the shippers.

Mr. DOHERTY: Are you referring to something I may have said?

Mr. HARRIS: I have not the report in front of me.

Mr. DOHERTY: Perhaps it was in connection with the possibility of turning ships at Quebec, rather than bringing them to Montreal. If that was it, the statement is right.

Mr. HARRIS: I do not know about turning ships around. It had to do with getting sufficient cargo at Quebec, and loading the ship with other cargo.

Mr. TEAKLE: We have never declined to put a ship into Quebec for cattle. We put them in every time we are asked, and it is said that Quebec has cattle.

Mr. DOHERTY: There were 11 sailings from Quebec last summer.

Mr. HARRIS: Then I would gather that there has been an increase in the amount of cattle shipped from Quebec.

Mr. TEAKLE: There has been an increase in the number shipped in winter.

Mr. HARRIS: Can you tell me the number of cattle shipped from Montreal?

Mr. DOHERTY: By our own steamers?

Mr. HARRIS: Have there been any facilities provided at the Port of Montreal for the handling of cattle, as was the case stated last year?

The CHAIRMAN: Will you repeat your question please?

Mr. HARRIS: I was asking if there was any improvement in the facilities at the Port of Montreal for the handling of cattle, as compared with some one or two years ago, when it was proposed in this Committee that cattle coming in on the railways at Montreal found the necessity of being unloaded at the stockyards, fed and watered, and then being loaded on cars again before they were transferred to the steamer; whereas, at the port of Quebec the cattle are brought down and unloaded into the sheds at the steamer's side, fed and watered and rested and then loaded on the steamer.

Sir HENRY THORNTON: Mr. Dalrymple will answer that.

Mr. DALRYMPLE: There has been no change at Montreal. That is the practise at the present time.

Mr. HARRIS: In the interest of the trade, don't the officers of the Canadian Government Merchant Marine find that a great handicap in handling the cattle at Montreal and also an additional expense?

Sir HENRY THORNTON: Yes, it is, but I do not know how we are going to get around it.

Mr. HARRIS: In the case of cattle being shipped from western points to Montreal and subsequently handled there twice before they get to the steamer, and then having the river journey, wouldn't it be in the interest of the cattle trade to have them shipped direct to the Port of Quebec?

Mr. DALRYMPLE: I should say, Sir Henry (Thornton) that that remains entirely with the cattle shipper. As I understand the Quebec situation, that is dominated by one particular interest who have a lease from the Quebec Harbour Commission of the sheds at Quebec. Apparently no other shipper likes to utilize those sheds. If anyone does want to ship there, I believe the Quebec Harbour Commission are quite prepared to negotiate for additional facilities.

Mr. HARRIS: Mr. Chairman, there is something behind this whole proposition, but this is not the proper time to ask the next question I have in mind, but I am going to ask the indulgence of the Committee to propound it; when we are discussing the Canadian National Railway I would ask with the approval of the Committee to have a statement brought in from the railway, of the freight rates on cattle from Winnipeg to Quebec in the one instance, and Winnipeg to Montreal in the other instance; having in mind at the same time what it costs the Government Merchant Marine to take the cattle from Montreal to Quebec, or rather that portion of the journey; and also, if the management of the Canadian Government Merchant Marine have any data on the shrinkage of cattle during that extra twenty-four hours which is necessary to clear the Port of Montreal as between Montreal and Quebec. I would like that statement brought in—if I may have permission to have that asked at this time—when we are considering Canadian National Railways.

Sir HENRY THORNTON: That is a question you would like to have answered when we come to consider the railway report?

Mr. HARRIS: I do not see how it can be considered yet.

Sir HENRY THORNTON: We will get that question from the reporter and we will have the answer ready when the time comes.

Mr. DALRYMPLE: I may say right now that the rate is the same from Winnipeg to Quebec or Montreal.

Sir HENRY THORNTON: We can answer that in part, but I understand Mr. Harris wants an answer to that question when the railway report is under consideration. We will have it then.

Mr. DOHERTY: We handled through the Port of Montreal last year 1,038. From Quebec 2,576. From the winter ports 2,693. A total of 6,007 cattle in 1925.

Mr. JELLIFF: How did that compare with the year previous?

Mr. DOHERTY: I have not got the figures for the previous year.

Mr. POWER: From memory, the shipment from Quebec was about 1,300.

The CHAIRMAN: Mr. Bell had a question, some time ago.

Mr. BELL (St. Antoine): Returning to the point we were discussing before going into the cattle shipping business, General Fiset raised the question about enlightenment of the Committee. I am not quite clear as to the balance sheet or report, but is my understanding correct that the Canadian Government Merchant Marine, Limited, is really the parent company, and then each of these boats is a subsidiary company?

Sir HENRY THORNTON: A separate subsidiary company.

Mr. BELL (St. Antoine): Wouldn't you think it would be enlightening if we could have a balance sheet for each of those subsidiary companies? It would give us an idea of what these different boats were doing and the profit and loss from each of them. I do not want to be unreasonable in any request. I know it means a lot of work.

Sir HENRY THORNTON: It would mean a great deal of work, and I do not know just what purpose it would serve. If there is any particular boat you have in mind or any particular thing you wish to know, we could probably clear it up for you.

Mr. BELL (St. Antoine): The only purpose of my question is this: To ordinary laymen like myself, a lot of these figures in a consolidated balance sheet are not very enlightening, whereas if we could trace out the different boats and know just what their standing was, it would possibly help us a lot.

Sir HENRY THORNTON: I think it would be more apt to confuse you than anything else. As a matter of fact, in the operation of the vessels, we pay no attention whatever to the fact that that separate boat is a separate company. It has no effect excepting purely from a corporate point of view. We do not pay the slightest attention to the fact that that vessel is a separate company.

Sir EUGENE Fiset: The date for each voyage, I should think, is available, so what is the difficulty?

Mr. TEAKLE: The date is available, but as the President wisely points out, what we have to consider is the service in the twelve months. It is not fair to say that on account of certain conditions to-day, the "Canadian Skirmisher" leaves Vancouver and goes to England, and there are certain conditions prevailing which add to her expenses and detract from her earnings, and a sister ship might follow in a month later having all the advantages. That goes into the service and we treat it as the service itself. There are a great many circumstances in respect to various voyages, and indeed each individual voyage has its own peculiarities. The voyage account is kept separately, and for our purposes we put it in the service to see whether that service is worth while or not.

The CHAIRMAN: You could tell whether each vessel earned or lost?

Mr. TEAKLE: Absolutely.

Sir EUGENE Fiset: Here the general statement says "complete voyage." That is the complete voyage per ship?

Sir HENRY THORNTON: What would be of more information to Mr. Bell is the voyage statement; what the different routes are paying and what the different voyages are paying. It might be good business for us to maintain a certain ship on a certain route, and we might maintain that vessel on that route in the interest of Canadian trade or to protect our interests generally.

Then there might be some other ship that was on some other route which was profitable, so it is difficult to tell where you will land at the end of the year. There is the fact, as I said before, that these ships are in separate companies, but that has no relation to their assignments, their voyages, or anything else. It is a thing to which we pay no attention whatever; it is purely for the convenience of accounting to the government.

The CHAIRMAN: When do you think, gentlemen, that we might complete this examination of the report of the Canadian Government Merchant Marine? Will somebody move that we adjourn until to-morrow morning at eleven o'clock.

Mr. POWER: Will it be possible to get through with it then?

The CHAIRMAN: Maybe, if they have nothing of importance to bring up the next day.

Sir EUGENE Fiset: There is a statement made by Mr. Teakle, who said that the losses on each voyage from cattle carried has been \$46 per trip.

Mr. TEAKLE: Yes, based on 233 live cattle.

Sir HENRY THORNTON: Generally it would break about even, that there is no money in it.

Hon. Mr. DUNNING: Is that on operating alone?

The CHAIRMAN: I think Mr. Harris is the only one who has some further questions to ask with regard to the Merchant Marine. I understand they have been handed in.

Mr. Boys: Why could we not sit a little earlier to-morrow morning?

The CHAIRMAN: Is there any possibility of completing our examination of the Merchant Marine to-day? If not, we may as well adjourn.

Mr. Power: We might adjourn for further information.

The CHAIRMAN: In the meantime, have we arrived at a point where the Committee is prepared to recommend to the House the granting of the items?

Mr. Heaps: I think we had better wait until all the information is in.

Mr. Clark: I have one or two questions to ask, Mr. Chairman.

Hon. Mr. Dunning: What position are we in as far as getting the printed record is concerned, because these questions should be printed and handed to the Committee?

The CHAIRMAN: The printed report for Friday has not yet been received, but I think the printed reports of the other meetings are in the hands of the Committee. Perhaps the clerk will ask the printer to expedite the printing of the report.

Mr. Jelliff: There is the statement also as to the vessels being sold.

Mr. Bell: And the profit and loss account of each. These separate accounts are available if we desire to look at them.

Sir Henry Thornton: We are anxious to give you every scrap of information you want, no matter how much it costs, or how long it takes to get it. Sometimes questions are asked which involve a great deal of work. I desire to say that, because, some member might say that he could put it in some other form that will render it easier for us to get the information desired.

The CHAIRMAN: There is the profit and loss account, so that you can ascertain at the end of the year what has been done, and you can tell us what every vessel makes or loses in the year.

Sir Eugene Fiset: That is a tremendous piece of work.

The CHAIRMAN: Are they doing that work now?

Sir Henry Thornton: Mr. Teakle will look that up for you.

Mr. Teakle: Some questions have been asked us as to building prices, names of newspapers advertised in, whether any tenders have been received, or inquiries from or of purchasers. That may take us two or three days to get together. It means that we have to dig up our old files. We will be at the pleasure of the builders, to give us that information. I am afraid we will not be able to answer all the questions to-morrow.

The CHAIRMAN: Will you be able to answer any of them to-morrow? If we have to wait for these answers, but we are otherwise through with the report, we might go on with the Railways.

Sir Henry Thornton: Are you going to sit Thursday?

Mr. Bell (St. Antoine): Why should not the Committee sit Thursday morning?

The CHAIRMAN: We will see about that to-morrow. This Committee will now stand adjourned until to-morrow morning.

The Committee adjourned until Wednesday, June 2nd, 1926, at 11 o'clock a.m.

SESSION 1926
HOUSE OF COMMONS

SELECT STANDING COMMITTEE
ON
RAILWAYS AND SHIPPING

MINUTES OF PROCEEDINGS AND EVIDENCE .

No. 5—JUNE 2, 1926

WITNESSES:

Sir Henry Thornton, President, C.N.R.
R. B. Teakle. General Manager, Merchant Marine.
J. P. Doherty, Traffic Manager, Merchant Marine.

ORDER OF REFERENCE

HOUSE OF COMMONS,

WEDNESDAY, May 19, 1926.

Resolved. That Rule 10 of the House of Commons relating to the appointment of the Select Standing Committees of the House be amended by adding to the Select Standing Committees of the House for the present session a Select Standing Committee on Railways and Shipping owned, operated and controlled by the Government, to which will be referred the estimates of the Canadian National Railways and the Canadian Merchant Marine for the present session, for consideration and for report to the House, provided, however, that nothing in this resolution shall be construed to curtail in any way the full right of discussion in Committee of Supply; and that the said Committee consist of Messrs. Bell (St. Antoine), Boys, Campbell, Clark, Drayton, Dunning, Euler, Fiset, Harris, Heaps, Jelliff, Jones, Johnston, Power and Robichaud.

Attest.

ARTHUR BEAUCHESNE,
Clerk of the House.

REPORTS

HOUSE OF COMMONS,

WEDNESDAY, May 26, 1926.

First Report: Mr. Euler, from the Select Standing Committee on Railways and Shipping owned, operated and controlled by the Government, presented the First Report of the said Committee, which is as follows:—

Your Committee recommends that its minutes of proceedings and evidence be printed from day to day for the use of the members of the committee and of the House and that Rule 74 be suspended in reference thereto.

Second Report: Mr. Euler, from the Select Standing Committee on Railways and Shipping owned, operated and controlled by the Government, presented the Second Report of the said Committee, which is as follows:—

Your Committee recommends that it be granted leave to sit while the House is in session.

Concurrence: On motion of Mr. Euler, the First and Second Reports of the Select Standing Committee on Railways and Shipping owned, operated and controlled by the Government, were concurred in.

— FRIDAY, May 28, 1926.

Third Report: Mr. Euler, from the Select Standing Committee on Railways and Shipping owned, operated and controlled by the Government, presented the Third Report of the said Committee, which is as follows:—

The attention of your Committee having been drawn to the omission of the interim supply voted by Parliament during the present Session, of any part of Items 372 and 373, of the Estimates 1926-27 respecting loans to the Canadian National Railway and the Canadian Government Merchant Marine, Limited;

Your Committee therefore recommends that Parliament grant as interim supply the sum of \$10,000,000 of the said Item 372 and the sum of \$200,000 of the said Item 373.

MINUTES OF PROCEEDINGS

WEDNESDAY, June 2, 1926.

The Select Standing Committee on Railways and Shipping opened proceedings at 11.10, Mr. Euler, the Chairman, presiding. The following members of the Committee were present:—

Messrs. Bell (St. Antoine), Boys, Clark, Drayton (Sir Henry), Dunning, Euler, Fiset (Sir Eugène), Harris, Heaps, Jelliff, Johnston (Long Lake), Power and Robichaud.

Sir Henry Thornton, President, J. E. Dalrymple, Vice-President, G. A. Bell, Deputy Minister of Railways, R. B. Teakle, general manager, Canadian Government Merchant Marine, J. P. Doherty, traffic manager, and other officials were in attendance.

The Chairman stated that there were a few matters left over from last meeting in connection with the Government Merchant Marine. Some information had been asked for which would now be placed before the Committee by Sir Henry Thornton.

The following statements were produced and by decision of the Committee were written into the record, viz:—

1. List of papers in Canada in which advertisements were inserted re ships for sale in 1923.

2. List of firms in Canada making inquiries re steamers for sale.

3. List of enquirers in the United States.

4. List of enquirers in Japan.

5. List showing enquirers in British Isles, Sweden, etc.

6. Comparative statement of cattle carried 1924-25 with Canadian loading ports.

7. Memorandum giving rate on cattle Winnipeg to Montreal and Winnipeg to Quebec.

8. Statement showing depreciation set up and written back when vessels sold.

Further replies to questions by members of the Committee were furnished by Sir Henry Thornton and Mr. Teakle.

Mr. Harris asked for information in regard to the business done by the Government Merchant Marine through the port of Detroit, United States.

Mr. Bell asked if a general statement could be given as to the future outlook of the Government Merchant Marine, in view of apparent improved conditions, and also in view of the treaty arrangements with the British West Indies.

It being twelve o'clock, and it having been brought to the notice of the Committee that an Opposition Caucus was called for that hour, the Chairman asked for an expression of opinion as to adjournment or go on till one o'clock. It was finally decided by a show of hands to adjourn.

After some discussion it was decided that the Committee would not meet on Thursday, it being a holiday.

Committee adjourned to meet on Friday at 10.30 a.m., June 4.

E. L. MORRIS,
Acting Clerk of the Committee.

MINUTES OF EVIDENCE

WEDNESDAY, June 2, 1926.

The Select Standing Committee on National Railways and Shipping met at 11.00 o'clock a.m., the Chairman, Mr. Euler, presiding.

The CHAIRMAN: Gentlemen, the Committee will please come to order.

I think we have practically concluded our examination of the Merchant Marine Report. There were a few questions to be answered this morning, were there not?

Sir HENRY THORNTON: Yes. Shall I go on with the unfinished business and the unanswered questions?

The CHAIRMAN: I suppose we might as well clear that up.

Sir HENRY THORNTON: I think it was Mr. Boys who asked a question as to the newspapers in which we advertised, and the publicity which had been given to our advertisement for tenders for the sale of ships. I have here a list of the newspapers in which those were placed. It comprises 66 newspapers. I may say briefly that they represent pretty much all of the newspapers of Canada and one in Newfoundland. Also Lloyd's list; the Liverpool Journal of Commerce; the South Wales Journal of Commerce; the Glasgow Herald; and a newspaper called "Fairplay"; five newspapers in England. Shall we submit that list?

Mr. BOYS: What you have said is quite sufficient for me. I suppose the list can be filed. It need not necessarily be copied.

The CHAIRMAN: It is not necessary to put it on the record.

(The list in question is submitted, and placed on file).

Sir HENRY DRAYTON: There were some replies received, but, as stated yesterday, those replies were rejected.

Mr. BOYS: Then Mr. Teakle was in error yesterday when he said there were none?

Mr. TEAKLE: Yes. I said yesterday I could not remember accurately.

Sir HENRY THORNTON: Then this (document) is a list of the people from whom we received replies. We received 11 replies and this list shows the name of the tenderer, and his address; the name of the steamer on which he tendered; the amount offered; the price per deadweight ton; the conditions of tender; Martin & Company's valuation of the steamer; and our own valuation.

Mr. BOYS: Who are Martin & Company?

Sir HENRY THORNTON: They are a firm of marine valuers in New York. I suppose they do a general business all over the world.

Mr. TEAKLE: Oh yes; they are well recognized.

Sir HENRY THORNTON: If you like, we will file this.

Mr. BOYS: I would like to see those pinned together and filed, not to be copied but for reference.

Mr. HEAPS: I think it would be a very simple thing, Mr. Chairman, if we could be shown the prices offered and the figures actually received when the boats were sold.

Mr. CLARK: Would that not be most interesting to have on the records? I think every member of the Committee would like to read that over.

The CHAIRMAN: Is there any objection?

Sir HENRY THORNTON: We can have enough copies made of this to put one in the hands of each member.

Mr. POWER: Why not put it in the records?

The CHAIRMAN: Tell us briefly what is in it.

Sir HENRY THORNTON: I have just said it consists of the name of the tenderer; the address of course; the steamer upon which he tendered; the amount that he offered, that amount translated into prices per deadweight ton; the conditions of his proposal; the value made by a firm of valuers on each vessel; and what we valued the vessel at.

The CHAIRMAN: Then they want you to add to that what you actually obtained for each vessel?

Sir HENRY THORNTON: A statement showing that was filed yesterday.

The CHAIRMAN: Do you wish that incorporated in the record and printed or not?

Hon. Mr. DUNNING: You refused all the tenders did you not Sir Henry?

Sir HENRY THORNTON: All but one.

Hon. Mr. DUNNING: And you subsequently received a higher price than those tenders for the vessels?

Sir HENRY THORNTON: Yes. It is for you to say whether this is printed.

The CHAIRMAN: Do you know of any objection to printing it?

Mr. BOYS: Mr. Dunning just asked a question, perhaps you did not catch it. He wanted to know whether you received a price which was higher than the tenders received as shown on that schedule.

Sir HENRY THORNTON: Can you answer that off-hand?

Mr. TEAKLE: Yes. We received higher prices with one exception. There was one tender there for "The Trader" at \$60,000. For one ship only. We eventually sold that ship, with five others, for \$40,000, but in the other cases we got higher figures.

Sir HENRY THORNTON: Then do I understand that in every case we ultimately sold the ships for a higher price than was tendered here, excepting in one instance?

Mr. TEAKLE: One instance only in which this tenderer—the Fair Investment Company—only bid on one vessel, and subsequently that was included in a lot of five others, which would have made the price of this particular vessel somewhat lower than the tender price here.

Mr. BOYS: And you considered it more desirable to sell them all, instead of that one?

Sir HENRY THORNTON: Yes, at what might be called a job-lot price.

Mr. BOYS: If I might state my position frankly, I have heard from four or five different quarters criticisms of the sale of these vessels. I knew nothing about it. I supposed that naturally the Board of Directors did their best to get a fair price. I would like that (document) put on the record, so that if I am asked the same question again, I can show that the Merchant Marine did all that any business man would have done to make a good sale.

Mr. HEAPS: I do not think there is any statement on the record showing the price the ships were sold for.

The CHAIRMAN: Yes, the shorthand reporter informs me that that document was copied into the records yesterday.

Sir EUGENE Fiset: Who gave the official order for the sale of those ships?

Sir HENRY THORNTON: I did, subject of course to confirmation by the Board of Directors.

Sir EUGENE Fiset: It was not submitted to the Privy Council.

Sir HENRY THORNTON: I do not think so. We had original authority by Order in Council to sell the ships. My recollection is, and I am pretty positive of this, that we did not refer it again to any one; we simply acted under that blanket authority.

Mr. BOYS: Before that is disposed of, I have another question or two. I want to find out if I can, with some particularity, just the steps that were subsequently taken to make the sales that appear on the exhibit. I understand that inquiries were sent out to various likely purchasers?

Sir HENRY THORNTON: Yes, I am glad you mentioned that. Here is the list of firms in Canada with whom we had correspondence. Also a list of enquirers from the United States; a list of inquirers in Great Britain, and one from Japan.

LIST OF FIRMS IN CANADA MAKING INQUIRIES RE STEAMERS FOR SALE

British Columbia

B. W. Greer & Son, Ltd., Bank of Nova Scotia Bldg., Vancouver.
Avery-Kernahan Ltd., Union Bank Chambers, Vancouver.

Quebec

The Canadian Import Co., 83 Dalhousie st., Quebec.
Wm. J. B. Fraser, Quebec.
Blair Bros. Ltd., 211 McGill st., Montreal.
G. R. Cooper & Co., 83 Craig st. West., Montreal.
Guy Tombs Ltd., 285 Beaver Hall Hill, Montreal.
Keystone Transportation Co., P. O. Box 1710, Montreal.
Thos. Harling & Son, 42 St. Sacrament st., Montreal.
Col. W. I. Gear, Robt. Reford Co. Ltd., Montreal.
Kirkwood Line Ltd., 14 Place Royale, Montreal.
McLean Kennedy Ltd., 20 St. Nicholas st., Montreal.
Walford Shipping Co. Ltd., 20 St. Nicholas st., Montreal.
The Anderson Co. of Canada, 285 Beaver Hall Hill, Montreal.
British Empire Steel Corp. Limited, Canada Cement Bldg., Montreal.
Walter Lambert, 14 Place Royale, Montreal.
Beverly Robinson, 435 McKay street, Montreal.
B. & S. H. Thompson Co. Ltd., 211 McGill st., Montreal.
Dale & Company Ltd., Board of Trade Bldg., Montreal.
Grant Hall, 305 Peel st., Montreal.

Ontario

Thomas A. Duff, Bank of Toronto Bldg., Toronto.
N. W. Paterson & Co., Fort William.
W. E. Redfern, Colborne.
Jas. Playfair, Great Lakes Transportation Company, Midland.
David Brown, Goderich.
Doty Engineering Co. Ltd., York Bldg., King & York Sts., Toronto.
Alex Johnston, Deputy Minister, Department of Marine & Fisheries, Ottawa.

Nova Scotia

Henry W. Evans, 135 Jubilee Road, Halifax.
Geo. W. Kyte, St. Peters.
Fred Graham, Box No. 2, New Glasgow.
A. Parsons, Walton.
Hon. D. D. McKenzie, North Sydney.
Terminals Transportation Co. Ltd., 334 Roy Building, Halifax.
McInnes, Jenks & Lovett, 35 Bedford Row, Halifax.
Marquhar & Co. Ltd., Halifax.
Furness Withy & Co. Ltd., Furness Bldg., Halifax.
Wm. Duff, M.P., Lunenburg, N.S.
C. & W. Hackett, North Sydney.

LIST OF ENQUIRERS IN THE UNITED STATES

Wilford & McKay, Inc., 17 Battery Place, New York, N.Y.
 International Chartering Co. Inc., 25 Beaver street, New York, N.Y.
 Scott & Surtees, 78-80 Broad street, New York, N.Y.
 Thos. B. Healey, Bus. Mgr., Marine Engineers' Beneficial Association, No. 33, 26 Park Place, New York, N.Y.
 William Gardner & Co., 1 Broadway, New York, N.Y.
 A. J. McIntosh, McIntosh Shipping Agency, 11 Broadway, New York, N.Y.
 Engineering Sales Co., American Bldg., Baltimore, Md.
 Geo. A. H. Gardner, 406-408 The Arcade, Cleveland, O.
 The Border Line Transportation Co., Seattle, Wash.
 James Griffiths & Sons, Seattle, Wash.
 Capt. C. H. Knowles, 382 Wadsworth ave., New York, N.Y.
 Mr. C. Abbott Gardner, 17 East 49th street, New York, N.Y.
 Mr. W. G. Smith, Salem Brick & Lumber Co., New Orleans.
 Mr. Douglas Woodham, Hotel Earle, Washington Sq., New York, N.Y.

LIST OF ENQUIRERS IN GREAT BRITAIN

Donald McLeod & Co., East India Chambers, 23 Leadenhall St., London.
 E.C.3 Eng.
 The European Shipping Co., 153 Moorgate Hall, London, E.C.2.
 Fawcitt & Co. Ltd., 7 East India ave., London E.C.3.
 C. G. Kellock, 27-31 St. Mary Axe, London E.C.3.
 H. E. Moss & Co., 43 St. Mary Axe, London E.C.3.
 Mr. A. J. St. B. Duberly, Plawsworth, Chester-le-street, Gateshead, Durham, England.
 W. A. Massey & Sons, Hull, England.
 Wait & Dodds, Newcastle-on-Tyne.
 Warden Bell, 75 Bothwell st., Glasgow, Scot.

LIST OF ENQUIRERS IN JAPAN

Katsuda Steamship Co. Ltd., Kobe, Japan.

Mr. BOYS: Were those inquirers subsequent to the advertisement?

Mr. TEAKLE: Yes, they were. They were followed up.

Mr. BOYS: You understand my point? I understood you to say that the tenders you received were not satisfactory, and you refused them. Then you took the other course which ultimately led to the sale. I wanted to find out to what extent you made a subsequent effort to get better prices than the amount of the tenders.

Sir HENRY THORNTON: These advertisements inserted in 66 newspapers provoked communications and correspondence with these firms who are here given. Now you ask, Mr. Boys, that we furnish copies of all the correspondence with these firms?

Mr. BOYS: No, I would not ask that. I merely wanted the Committee shown the nature of the effort made.

Sir HENRY THORNTON: Does this list meet your wishes or do you want something more?

Mr. BOYS: That is merely a statement that some people answered the advertisements. I suppose a lot of those people on that list actually sent tenders that we refused?

Mr. TEAKLE: I did not check that up. In fact I have only received the document from Montreal this morning.

Sir HENRY THORNTON: To go through the files, which are numerous, will take a little time.

Mr. BOYS: I will show you what I have in mind. If I wanted to establish that myself I think I would do this; I would take one case and show what was done. A man or a firm writes saying that he is interested in this advertisement and he perhaps submits a tender. You write back and say the tender is not sufficient, and cannot be accepted. Further correspondence takes place which would or would not, in my opinion, indicate a desire to get a better price.

Sir HENRY THORNTON: Shall we select then some typical cases?

Mr. BOYS: I would think so and I would be pleased if you refer to the particular ships that I referred to yesterday, all of which were sold for the same figure, although of different sizes. I named certain vessels; if we have that statement that was filed, it will show them.

Hon. Mr. DUNNING: Those were the ones sold at \$40,000.

Mr. BOYS: Yes, they were *The Adventurer*, *The Sailor*, *The Signaller*, *The Sower*, *The Trader*, and *The Warrior*. They were all sold at \$40,000 although they vary slightly, not very much, in deadweight. I would like to find out exactly what took place subsequent to the advertisement and the refusal of tenders that were received, which ultimately led to the sale of those vessels at \$40,000 each.

Sir HENRY THORNTON: Were there any verbal negotiations Mr. Teakle?

Mr. TEAKLE: Yes, there were, quite a bit.

Mr. BOYS: Was there anyone else after these ships?

Mr. TEAKLE: I could not answer that offhand, but if you will give me time I can get it.

Mr. BELL: That is in the departmental file.

Mr. TEAKLE: It is the digging out of the whole thing.

Sir HENRY THORNTON: I think we know what Mr. Boys wants, and if he is content to let us produce the results that we think he wants, that may be satisfactory.

Mr. BOYS: If you can get some correspondence which indicates an earnest effort on your part to do the best you could for the Merchant Marine.

Sir HENRY THORNTON: In the event of our finding that there have been verbal negotiations, would you like sworn depositions from whoever carried on the negotiations with respect to what took place verbally?

Mr. BOYS: I am more concerned to find if I can, whether the negotiations were with one man alone. That is what is in my mind, and that is what has been put up to me.

Sir HENRY THORNTON: When you say by one man alone, do you mean acting for the Merchant Marine, or for the other side? Probably one man handled the negotiations for Playfair. I do not know who he would be.

Mr. BOYS: We start with this assumption, that you are seeking to get the best you can for these vessels. You certainly have advertised abundantly. That must be clear to the most sceptical. That advertising produced certain results, which were not satisfactory, and because they were not satisfactory, it was thought necessary to set on foot further efforts. I want to show that that was an effort, not with one individual, who some people might say was favoured—I do not say so at all—and that you finally closed with him without taking it up with anyone else.

Sir HENRY THORNTON: We can do that, Mr. Boys.

The CHAIRMAN: You want the correspondence, Mr. Boys?

Mr. BOYS: I really do not suppose there is such a volume of correspondence?

Mr. TEAKLE: In three years there is quite a lot, but we will take the time to dig it out. I have a man working at it now. If you want to trace it from the beginning, which I am prepared to do, you have to go through all your letters relating to the various ships sold.

Sir HENRY THORNTON: Some of these buyers are pretty tight when it comes to selling ships to them, and it takes a great deal of work to get them up to a decent price. Then you want this list submitted, and Mr. Teakle will get the other. Then there was a question requiring a statement of cattle carried in 1924 and 1925. It is as follows:

" COMPARATIVE STATEMENT OF CATTLE CARRIED 1924-1925, WITH
CANADIAN LOADING PORTS

1924		1925	
Montreal	2,519	Montreal	1,038
Quebec	498	Quebec	2,576
St. John, N.B. . . .	1,019	St. John, N.B. . . .	1,896
Halifax	1,299	Halifax	497
Total	<u>5,335</u>	Total	<u>6,007"</u>

Mr. JELLIFF: Do you think you got your proportion of the increased shipments last year?

Mr. TEAKLE: Yes, I think we did.

Mr. JELLIFF: I understand that the exports of the year before were 79,000, and last year, Mr. Robb speaks in his budget of 110,000, an increase of about thirty per cent.

Mr. TEAKLE: We have only four ships in it.

The CHAIRMAN: What was the next question?

Sir HENRY THORNTON: There was a question about the rate on cattle. I have a memorandum on that:—

"The rate on cattle Winnipeg to Montreal and Winnipeg to Quebec is 85 cents per 100 pounds. This includes delivery to ship's side. Shipper, however, pays at Montreal \$1.00 per car unloading charge, and \$1.00 per car loading charge, whereas at Quebec he pays only \$1.00 per car unloading charge.

We have no information as to shrinkage on cattle one port versus the other."

I do not know who asked that question, but this is handed in.

Mr. HARRIS: The point is that there is 24 hours shrinkage extra.

The CHAIRMAN: The next question?

Sir HENRY THORNTON: Mr. Harris handed in these questions, which I do not think the Chairman saw. He handed the paper in, and we accepted it. His questions are as follows:—

"1. What firm or firms at Detroit, Michigan, are soliciting business for the Canadian Government Merchant Marine?

2. What amount of tonnage was secured?

3. How much commission or salary was paid to this firm in 1925 or 1926?

4. How much was paid since January 1st, 1926, to May 1st, 1926?

5. Has not this firm in Detroit earned over \$70,000 per year, 1925-1926?

6. Why not open offices at Detroit?"

Now, that involves an explanation, and I crave the committee's indulgence if I perhaps go into it somewhat in detail.

The agent who represents the Canadian Government Merchant Marine at Detroit is John H. Shaefer, who has been representing the Canadian Government Merchant Marine as agent, since the beginning of 1921. He has very largely

increased our export business, chiefly in automobiles. He is a man who has a very intimate acquaintance with the automobile industry in Detroit, and to a very large degree controls the export shipments from that city. His services have been sought, I might say, ardently, by certain competitors of ours, more particularly two exporting firms in New York, who operate services from New York to Australia. They have been extremely anxious to get this business to New York, and for their own concerns.

Our arrangement with Mr. Shaefer has been highly satisfactory to the Government Merchant Marine, and there is no doubt but what we have received and secured a much greater tonnage than we might have secured under other circumstances.

Now, I do not like to reveal the tonnage that we are getting, nor the commission that we are paying Mr. Shaefer, because it would be a very simple thing for our competitors, if they know what his commission is, and what his percentage is, to figure back precisely what tonnage we are getting. This tonnage is highly competitive. Every pound of freight which you get is covered with blood by the time you get it, and we have made very heavy inroads into our competitors. While I am anxious to give the committee every possible bit of information, here is something which, if it is revealed, will certainly be a very serious thing for the Canadian Government Merchant Marine. We only pay him his commission on that revenue which the Merchant Marine gets, although it is to be remembered that all the tonnage which our agent in Detroit gets, travels, ninety-nine times out of a hundred, over the Canadian National Railway.

Now that is the situation, gentlemen. I want to give you, as I say, full information, but here is a case where we are up against a highly competitive tonnage which we have built up for ourselves, and which has gone a long way to improving the net showing of the Government Merchant Marine.

Mr. HARRIS: Is this gentleman the only party able to get you this business?

Sir HENRY THORNTON: I think he is, Mr. Harris, and certainly the results have been extraordinary.

He works on a percentage basis, and if he does not get any business, he does not get any money; he pays his own office expenses, and we do not have to worry about that. We pay him his commission, and the commission is the usual commission which is ordinarily paid under such circumstances.

The CHAIRMAN: I think you are right in not wanting to discuss the amount paid. Do you suggest that \$70,000 is excessive?

Sir HENRY THORNTON: It is not excessive, but if I comment upon that at all, I think I will be running pretty close to revealing the situation.

Mr. HEAPS: Would not another firm or another individual get more business for the same amount of commission?

Sir HENRY THORNTON: There is no other man or firm that I know of that can do what Mr. Schaefer is doing. Our competitors are breaking their necks to get him away from us; they would be delighted if they could sever the connection between our agent in Detroit and the Canadian Merchant Marine.

Mr. BOYS: Is he under contract?

Sir HENRY THORNTON: He is under a contract, terminable upon sixty days' notice.

Mr. HARRIS: Is an arrangement such as that satisfactory?

Sir HENRY THORNTON: It is, as far as it has gone.

Mr. HARRIS: I would like to know at how many more points there are similar arrangements.

Sir HENRY THORNTON: That is the only one. There is a very peculiar situation in Detroit. The export automobile business in Detroit is very highly competitive.

Mr. BOYS: Perhaps it would not be amiss to give an intimation as to what is usually paid?

Sir HENRY THORNTON: I can only say that the percentage we pay is the usual percentage for such character of service.

Mr. HARRIS: Would it be asking too much if I put it in this way: Is it not the common practice, in the soliciting of freight locally or freight for overseas, to start out on a commission basis; then as the business grows, or as that particular point of shipment grows, you then probably find it necessary to open up a suite of offices, put in your own staff to do the work, and avoid the payment of the commission for the gathering in of that business, which was previously far in excess of warranting you in putting in your own organization?

Sir HENRY THORNTON: That would be a wise thing to do, Mr. Harris, provided you would be satisfied that when you put in your own organization, you would get sufficiently satisfactory results. As I explained before, this automobile export business in Detroit, is a very peculiar business; it is very competitive. In other words, what you do is to use your own office arrangements. It costs you so much to get so much business. If the price which you pay to get that business is justified, you continue, and if you think you can do it by some other method, naturally you cancel the old arrangement, and put in something new.

Mr. JELLIFF: What arrangements have you in the old country? Can you tell us something about that?

Mr. TEAKLE: We have our own offices, in a number of the major places.

Mr. JELLIFF: Are they separate and distinct?

Mr. TEAKLE: No, they work in with our own railways.

Sir HENRY THORNTON: Every Canadian National Railway officer and office is a soliciting officer, or office, for the Canadian Government Merchant Marine. Naturally, we work together, and play together.

Mr. JELLIFF: Have you any places in the old country where they work as they do in Detroit?

Mr. TEAKLE: There are one or two small places where we would have agents on a straight commission.

The CHAIRMAN: We have a formidable list of questions to go through: we had better get along with them.

Mr. TEAKLE: I just wanted to follow up Mr. Jelliff's question, as to whether in Great Britain we had our own offices or not. In the major places, London, for instance, we have our own railway and our own steamship offices. As the president has said, all of the Canadian National Railway offices are Canadian Government Merchant Marine offices. At Swansea, for instance, we have an agent, and we have an agent in Antwerp, who is also the agent for the Canadian National Railways. He looks after everything in our interest.

Mr. POWER: You have that agent paid on commission, like every other agent, as a rule?

Mr. TEAKLE: Yes. That is the way our Antwerp agent works.

Mr. BOYS: There is one more question I would like to ask. I see a very marked discrepancy between the amount received, the amount of your own valuation, and the amount of Martin & Company's valuation in regard to the ships, and I think possibly that that should be inquired into a little. It is not a matter of 10 per cent, it is a matter of over 50 per cent, both yours and Martin & Company's, as against the prices received, and I think that is a striking difference. What is the reason for it? Martin & Company I presume are in New York, and you went to New York because you wanted to get the most capable men. Is that it?

Mr. TEAKLE: Yes.

Mr. BOYS: Why did you not get somebody in Canada?

Mr. TEAKLE: Well, Mr. Boys, Martin & Company are recognized ship valuers all over, and in many cases, the general average of their valuation is taken, just as Jensen and Hockins would take Martin & Company's valuation.

Mr. BOYS: It occurred to me that having a valuation from New York might aid you in getting a higher price.

Mr. TEAKLE: Yes. It was just to get the ideas of a recognized valuator.

Mr. BOYS: But you had your own valuations?

Mr. TEAKLE: That means under our own conditions.

Mr. BOYS: I think you will find that the statement I make is right, that the prices received in many cases were less than 50 per cent of your own valuation.

Mr. TEAKLE: That was in June, 1923.

Mr. HEAPS: What was the date of that document?

Mr. TEAKLE: It would be in June, 1923.

Mr. HEAPS: What was the date of the sale?

Mr. TEAKLE: Some were sold last fall.

Mr. HEAPS: Did the prices go up, between the date of that document, and the time you sold them?

Mr. TEAKLE: No, they went down.

Mr. HEAPS: Would that account for the discrepancy?

Mr. TEAKLE: Yes, it would.

Sir HENRY THORNTON: There is this also to be said, Mr. Heaps; in the matter of second-hand tonnage, the presence in the market of a very large American tonnage, that is, tonnage owned by the American Shipping Board, certainly must have had a tendency to depress what you might call the second-hand shipping tonnage market.

Mr. BOYS: I think that is manifest.

Sir HENRY THORNTON: If the United States Shipping Board had not been offering their own ships, that would have had a very material effect on the value of second-hand tonnage.

Mr. BOYS: I think so. But, Martin & Company would be familiar with market conditions, and would make a valuation accordingly. I would like to have some explanation as to that very great discrepancy.

Mr. POWER: There was no market for them. The state of the ships would depend upon one man perhaps at that particular time. As I understand the situation, there were I do not know how many ships of the American Shipping Board on the market, and the only reason any man would have for purchasing those ships would be that he could do something with a particular boat at that particular time.

Sir HENRY THORNTON: There was the fact that we published the sale of these ships throughout the world, that we published it in sixty-six newspapers; that we advertised for tenders for these ships, and only got eleven replies, all of which but one were unsatisfactory. All that indicated the depressed condition of the second-hand market.

Mr. HEAPS: Did you say the valuation was made in 1923?

Mr. TEAKLE: Yes.

Mr. HEAPS: When were the ships sold that Mr. Boys referred to?

Mr. TEAKLE: The Playfair sale happened somewhere about last September.

Mr. BOYS: I will put my statement in a more definite form, Mr. Chairman. Take the one favourable feature about it; I notice that Playfair tendered on the Drummond and the McKay for \$200,000. The Martin valuation was only \$140,000 for the two ships, while your own was \$225,000. Did you actually get 220?

Mr. TEAKLE: Yes.

Mr. Boys: You got almost your own valuation, within \$5,000 of it, and more than \$80,000 beyond the Martin valuation; but when we turn to the Canadian Sower and so on, the Martin valuation ran from \$70,000 to \$110,000, and on your list they are \$100,000, and from that to \$129,000, but they went at less than 40 per cent of the Martin valuation, and apparently not much more than 30 per cent of your own valuation. I think it would be in order to have your explanation as to why you sold them at what appears, by these valuations, to have been a marked sacrifice.

Mr. TEAKLE: The president has explained very fully that point by saying that advertisements were sent out for tenders to about 70 papers, and that they brought forth only a few inquiries. We were offered \$25,000 for each of these ships.

Mr. Boys: You could absolutely find nobody that would give you a fair price, and you sold them at what you could get for them after a prolonged effort?

Mr. TEAKLE: That is quite right.

Sir HENRY THORNTON: But that does not quite answer Mr. Boy's question. We valued those five or six ships at a certain figure; Martin & Company valued them at a certain figure; then we turned around and sold them for less than one-half of that valuation. Why was that, Mr. Teakle?

Mr. Boys: That is the point. There must have been some strong reason for selling at such a depreciated figure.

Sir HENRY THORNTON: Speaking in a general way, the answer is as Mr. Boys has said; there was no market for these ships. We might have valued them at anything we liked, but we could not get rid of the things.

The CHAIRMAN: Would the valuator place their valuations on the cost of rebuilding those ships?

Mr. TEAKLE: No sir. They would take their construction and age, and would place a value such as they could reasonably expect to get.

The CHAIRMAN: The market value might be altogether different from the cost of building the ships.

Mr. HEAPS: When he said a reasonable value, he meant the market value?

The CHAIRMAN: At a time when there was not any market.

Sir HENRY THORNTON: The market for second-hand tonnage for the last two years has been pretty well shot to pieces, partly by reason of the condition in the shipping trade, and partly by conditions arising out of the enormous American tonnage available.

Mr. Boys: I think that feature was discounted by the Martin Company. It might be well to point that out to them.

Sir HENRY THORNTON: I think it might be well to send a wire to Martin & Company, and ask them for that information.

Mr. TEAKLE: We submitted a list to them, and we have it on file.

Mr. Boys: I should think Martin & Company, in that valuation of theirs, would point out that they would have to value the ships at about ten per cent of their cost, that they were out-of-date, and that there was no demand for them.

Mr. TEAKLE: I do not remember their letter, but their letter is on file at the office. We can submit that at the same time as the other information asked for. I would like to speak to you about that, Mr. Boys, before we go.

Mr. Boys: I think what we ought to have is a statement setting forth the reason you could not get more than 30 or 40 per cent after all these other efforts. You found the ships were not saleable?

Mr. TEAKLE: That is correct.

Hon. Mr. DUNNING: At the time the valuation was made by Martin & Company, in 1923, I understand?

Mr. TEAKLE: Yes.

Hon. Mr. DUNNING: Were the American Government Merchant Marine ships on the market, or have they been thrown on the market since?

Mr. TEAKLE: They were, Mr. Dunning.

Sir HENRY THORNTON: They have been on the market for several years, in the very same way as we were trying to dispose of some of these ships of ours.

Hon. Mr. DUNNING: Were the American ships at this time sold for junk?

Mr. TEAKLE: A number were sold to Mr. Ford. I was trying to get that information this morning, but I will get it later. I think it is possible to get at exactly when those ships were built, and what they were sold for.

SIR EUGENE Fiset: They were placed on the market in 1919, I understand.

Mr. TEAKLE: I do not remember that. We did not have authority over that.

Mr. JELLIFF: I would suggest, Mr. Chairman, that the valuation made by Martin & Company be produced for inspection, and we can then see what it is.

Sir HENRY THORNTON: It is here, on this list.

Mr. JELLIFF: I presume that they would write a report on each ship, like any other valuers would.

The CHAIRMAN: Would it not throw light upon it if we were given the basis of our own valuation?

Sir HENRY THORNTON: We will submit a statement of our own valuation, also of Martin & Company's.

Mr. TEAKLE: We would value them in our own office, to get that price. Naturally, we were shooting to get the highest price we could before getting Martin & Company. As a matter of fact, we sold some of the ships for a greater price than Martin valued them at.

Sir HENRY THORNTON: Anyway, we understand Mr. Boys' question, although it has been added to somewhat.

Mr. BOYS: Can you give us what the result was, as compared with the results secured in America for the sale of their ships; was it better, or was it worse?

Mr. TEAKLE: I think on the whole, it was better.

Mr. HEAPS: Can you get an actual comparison?

Mr. TEAKLE: We are trying to get that now.

Mr. BELL (St. Antoine): I was going to ask if the American Shipping Board's ships sold were of the same builds?

Mr. TEAKLE: Some of them were the same, some a little larger, some went up to 4,000 tons, boats that could go through the canal; they are going through now.

Mr. HEAPS: The valuation was made in 1923, you say?

Mr. TEAKLE: Yes, sir.

Mr. HEAPS: When were those particular ships sold?

Mr. TEAKLE: They were sold at different dates, Mr. Heaps.

Mr. HEAPS: Well, the ones that were sold two years later, as Mr. Boys has pointed out?

Mr. TEAKLE: I think I have the sale dates here.

Mr. HEAPS: I have reference to the ones Mr. Boys spoke about.

Mr. POWER: Some were sold in 1925, I understand.

Mr. TEAKLE: I think I have the dates they were sold. They were sold on October 19, 1925.

Mr. HEAPS: Were they in service during those two years?

Mr. TEAKLE: No, we had them in service for part of the previous year to the sale, but they were tied up for over a year.

Mr. HEAPS: Would their value be somewhat impaired after that period of two years?

Mr. TEAKLE: These ships were sold on the basis of dismantled ships. We have not spent any money on them except to keep them in ordinary condition; they were not deteriorating.

Mr. HEAPS: Was there a drop in the market for second-hand ships, between the Martin & Company valuation, and the time you sold them?

Mr. TEAKLE: Yes, there was.

Mr. HEAPS: Have you any idea of the approximate drop?

Mr. TEAKLE: Well, they had come down all along the line. I would not like to give you that exactly, without looking it up. I am content to say that we got the market value of the ships, and we checked them up back and forth. I am not afraid of the value we got for them.

Mr. HEAPS: Was that true of the ships you sold last year?

Mr. TEAKLE: Any of the ships we sold, any of the ships we have sold. I am quite content to give the figures to any valuator and take his figures for it.

Mr. POWER: Was it not the fact that their sale value had diminished after being laid up a year?

Mr. TEAKLE: Yes, that is always the case.

Mr. POWER: It was an admission that the ships were no good, if you tied them up?

Mr. TEAKLE: It was an admission that we had no use for them.

Mr. HARRIS: I would like to ask a question as to that item in the operating account, where we find an amount of money spent for soliciting freight. Can you tell us about that, Mr. Teakle?

Mr. TEAKLE: I am just asking the auditor that question. The amount of money paid in commissions goes into the voyage results, so that in the annual statement, it would come in under "Operation of Vessels—Closed Voyages \$10,177,311.11."

Mr. HARRIS: Is it possible that you have it in more detail, the \$10,000,000 odd? Can you tell how much of that is commission?

Mr. TEAKLE: I could not tell you off-hand, because that is a whole year's work.

Mr. HARRIS: It is quite a large item.

Mr. TEAKLE: Yes, the \$10,000,000 odd takes care of port charges, the feeding of crews, a number of outside agents, and the number of voyages made.

Mr. HEAPS: Is it not merely part of the operating expenses?

Sir HENRY THORNTON: Yes. Of course, it is part of the expenses involved in securing and moving the business.

Mr. HARRIS: But it has nothing to do with the real operation of a vessel, the paying of a commission in New York?

Sir HENRY THORNTON: It costs a certain amount, not only to move the business, but a certain amount to get it as well.

Mr. HARRIS: A certain amount of money in this \$10,000,000, an amount paid out for soliciting freight.

Sir HENRY THORNTON: Do you ask us to pick out from the \$10,000,000 the amount paid for commission?

Mr. HARRIS: Yes.

Sir HENRY THORNTON: Seeing that this was substantially the only United States agent we had on a commission basis, if I told you that, I would be telling the whole story.

Mr. HARRIS: All I ask is to be confirmed in regard to the one question in regard to Detroit; it seems that that is the only agent as to whom we cannot get any information.

Sir HENRY THORNTON: That is it. Our railway expenditures are as shown in the report; which gives all the details.

Mr. HEAPS: Does it show the amount paid out for soliciting business?

Sir HENRY THORNTON: We do not show the amount paid out for soliciting railway business, that is prohibited by law. Mr. Dalrymple can tell us about that.

Mr. DALRYMPLE: That is under a separate item in the Railway report. Broadly speaking, we do not do anything in that line.

Sir HENRY THORNTON: There is an understanding between the railways—Mr. Dalrymple can correct me if I am wrong—that the commissions from railway business, for the solicitation of traffic, are not paid. Is that right, Mr. Dalrymple?

Mr. DALRYMPLE: That is right.

Mr. HARRIS: Is it a gentleman's arrangement?

Mr. DALRYMPLE: There is a recognized basis of commissions on certain traffic. That goes on file with the Interstate Commerce Commission, insofar as United States traffic is concerned.

Sir HENRY THORNTON: There are fewer rules governing the shipping business than in the railway business. Almost anything goes, in the shipping business, that you can get away with.

Mr. POWER: It is a cut-throat business?

Sir HENRY THORNTON: Exactly.

The CHAIRMAN: Are there any more financial questions?

Mr. CLARK: I was going to suggest, Mr. Chairman, that yesterday morning I asked a question which Sir Henry Thornton was on the point of answering several times, but he had to look it up. I was referring to the improvement in the operating expenses, of what I think was \$450,000 last year.

Sir HENRY THORNTON: Approximately that much.

Mr. CLARK: It was suggested, I think, in the evidence that that improvement was due to the cutting down of operating expenses, and I put a question from which the inference might be drawn that instead of being proven to be due to the cutting down of operating expenses or operating costs, it was due very largely to the elimination of certain services which were unprofitable, and the substitution therefor of other services, or routes that were more profitable. I asked for a statement of the routes that had been discontinued and the losses on those routes, and the routes that were substituted and the profits made on those routes, without naming the routes.

The CHAIRMAN: Have you that, Mr. Teakle?

Sir HENRY THORNTON: May I not answer the question in this way? In general, that is unquestionably true. Unquestionably a large percentage of our improvement was due to the fact that we did abandon unprofitable routes and substituted, as far as we had the wit to do so, routes that were profitable. That is undoubtedly true, General Clark.

Mr. CLARK: As I understand it, from the statements Mr. Teakle has in front of him, you have routes that were abandoned, and you have the exact figures here of the losses?

Sir HENRY THORNTON: Precisely.

Mr. CLARK: In operating expenses, and you can add those up, and they would total so many hundreds or thousands. You have also before you the routes substituted, in the following year, and the profits made in the operating of those routes?

Sir HENRY THORNTON: We will give you that, for your own information.

Mr. CLARK: I thought you were to give it without naming the routes?

Sir HENRY THORNTON: Without specifying the services, how much did we save by abandoning the unprofitable routes?

Mr. CLARK: Yes.

Sir HENRY THORNTON: We can answer that question to your own satisfaction, if you will give us a little time to collate the figures.

Mr. TEAKLE: I would like to get General Clark's question just exactly as he wants it, because last night the auditor made up some figures, but they are wrong. If General Clark will give it to us exactly, we will get it for him.

Sir HENRY: I do not want to go into this too closely. Why do you not go to our auditor and tell him exactly what you want, and we will produce it. Will you do that, General Clark?

Mr. BOYS: I understand you established certain routes which proved unprofitable, and you substituted other routes, on which you made money. What are the particulars of those?

Mr. CLARK: I want the unprofitable routes and the total losses, also the losses or profits on those routes which were substituted.

Mr. BELL (St. Antoine): I was wondering if we could get a statement of the general outline of the Merchant Marine? I understand that the operating loss was some two million dollars in 1923. In 1924 an operating loss of \$1,440,000, and this year an operating loss of \$948,000. That is coming down, and it is very gratifying.

Sir HENRY THORNTON: Ending in 1925?

Mr. BELL (St. Antoine): Yes. Last year there was a deficit of some \$684,000, and this year a deficit of \$600,000. Now what is the general outlook with regard to this British West Indies trade? Do you think that that is going to pull down the deficit? Is there a chance of this Merchant Marine getting rid of the deficit and showing a profit, or shall we be put to more expense for our ships in this trade? In other words, can we have a general statement from you of the present outlook of the Canadian Merchant Marine; is it a white elephant or is it not?

Sir HENRY THORNTON: Are you speaking with respect to the West Indies service only, or both that and the other services as well, the whole thing?

Mr. BELL (St. Antoine): Both.

Sir HENRY THORNTON: For the first five months of this year, as I remember the figures, we show for the Government Merchant Marine, an operating profit of approximately \$62,000. That is the first time for any fairly protracted period that we have been able to show substantial profits. That is encouraging, not only in so far as the Government Merchant Marine is concerned, but generally speaking, in so far as international trade is concerned. It seems to indicate that there is a quickening, an improvement, in international trade, and that the shipping trade is commencing to recover from the dislocation caused by the war. While I cannot say at the moment whether or not I have a highly optimistic viewpoint with respect to the West Indian trade, I do feel that it offers considerable profit. Of course, the West Indies produce things that we do not produce, and we in turn, produce things which they do not produce. That is, we are not competitors. The Dominion of Canada produces everything which a temperate zone can produce. We only lack in the production of things which are produced by a tropical or sub-tropical climate. Therefore, it would seem quite reasonable to assume that as the Dominion increases in population—and I think we are going to see a considerable improvement in immigration this year—there is going to be a similarly increasing market for the products of the tropics, such as bananas and citrus fruits, and so on. Therefore, it requires no very great intelligence to see that the products of the British West Indies are going to find a larger market, and a constantly increasing market in Canada. Therefore, if we get into that market at a time when it is just commencing to move, and show signs of life, we will be in a favoured position, and I anticipate that we will find in the next ten years, the West India trade to be profitable to whoever goes into it, and also profitable to the Dominion of Canada itself.

Now, as far as the Canadian Government Merchant Marine is concerned, it has lately shown signs which are distinctly encouraging, and I believe that if we administer the affairs of the Government Merchant Marine with caution, and diligence, and economy, having due regard to pushing our business where we can, because very many years are out we will be showing a substantial

profit on that service; and, in addition to that, we will be providing for the shippers of Canada an overseas transportation implement, which will be largely to their advantage. We will not be able to return for many years the interest on the valuation of those ships, as they were built, because they were built—as has already been explained—under the pressure of war, and at extremely high prices; but I am very far from regarding the Canadian Government Merchant Marine as what is lightly and frivolously termed “a white elephant.” That, perhaps, is about as concisely as I can put it to you, Mr. Bell.

Hon. Mr. DUNNING: You have told us the position of the first five months of this year, Sir Henry (Thornton). Can you tell us what the position was for the first five months of last year?

Mr. BOYS: If I may interrupt, Mr. Chairman, we have a caucus on this morning. Could you give an intimation as to when the next sitting will be?

The CHAIRMAN: We might take a show of hands as to whether we will meet to-morrow. Only four. The committee will meet on Friday, then, I should say, Mr. Boys.

Hon. Mr. DUNNING: I have promised to facilitate the work of the Committee. Could we not sit a little earlier?

Sir EUGENE Fiset: Those of us who are able to attend will attend.

The CHAIRMAN: To-morrow is out of the question according to the show of hands here. What time do you desire to meet on Friday? All in favour of 11 o'clock? Or 10.30? 10.30 it is on Friday morning.

Mr. HEAPS: I would suggest that we meet on Saturday.

The CHAIRMAN: Not so far as I am concerned. Do you wish to adjourn now or can we finish with the Merchant Marine?

Mr. POWER: Mr. Boys says he is, and Mr. Clark says that he is.

Mr. HEAPS: Subject to the information that is to be brought down, I think we have finished.

The CHAIRMAN: Were there any questions unanswered?

Sir HENRY THORNTON: There was a question as to the first five months of this year. We show an operating profit of \$62,000. Last year we had an operating deficit of \$593,000. An improvement of \$655,000.

Now someone asked a question yesterday for a statement showing the depreciation set up and written back when the vessels were sold. We have that ready to submit.

The CHAIRMAN: That will be put on the record.

CANADIAN GOVERNMENT MERCHANT MARINE

Statement Showing Depreciation Set up and Written Back When Vessels Sold

Drummond..	\$ 52,297 25
McKee..	49,558 08
Sheba..	19,898 93
Canadian Miner..	77,627 07
Canadian Sealer..	77,435 29
Canadian Logger..	63,136 69
Canadian Pathfinder..	114,705 88
Canadian Engineer..	117,148 78
Canadian Adventurer..	131,475 18
Canadian Sailor..	129,669 88
Canadian Signaller..	152,546 67
Canadian Sower..	130,509 08
Canadian Trader..	129,747 81
Canadian Warrior..	158,645 16
Canadian Harvester..	135,309 77

\$1,539,711 52

Mr. HEAPS: How much has been written off in vessels?

Sir HENRY THORNTON: A total putting it in round figures, of \$1,540,000.

Sir EUGENE Fiset: May I ask as to the Order in Council for the sale of the ships? Did it not provide for the sale of the ships and for the purchase money to be credited to the Receiver General?

Mr. TEAKLE: I do not remember that.

Sir HENRY THORNTON: I do not remember either. I expect it did. Perhaps Major Bell can tell us.

Sir EUGENE Fiset: Did the Order in Council, authorizing the sale of the ships, provide for the money received from the sale to be credited to the Receiver General?

Mr. BELL: Speaking from memory, I should say yes.

Sir HENRY THORNTON: I suppose it did, for that is all we could do.

The CHAIRMAN: Anything further on this report? If not we are at a point where we might recommend the granting of the balance of the estimates, but we may as well leave that until we make a recommendation with regard to the railways. Is that satisfactory?

Mr. HEAPS: There was a question Mr. Boys and General Clark asked this morning pertaining to the sale of those ships.

Sir HENRY THORNTON: It may take two or three days to get that information.

Sir EUGENE Fiset: I do not see why we should not accept what has been said to the Board.

The CHAIRMAN: Is there anything else in regard to the examination of the Marine report? If not, do you desire to go on with the railways?

Mr. POWER: Why not to-morrow?

The CHAIRMAN: What is the pleasure of the Committee? Shall we continue? We have a quorum.

Mr. POWER: Sir Henry Drayton is away and I do not see how we can go on, unless Sir Henry Thornton could make a general statement with regard to the Canadian National, which would be printed and ready by the next session of the Committee.

The CHAIRMAN: We have had that already, on the first day.

Mr. POWER: That is satisfactory then.

The CHAIRMAN: I should not like the Committee to be subjected to criticism with regard to the prompt completion of its work.

Mr. HEAPS: I submit that we should adjourn now in view of the fact that some members have already gone.

Sir EUGENE Fiset: I do not see why. Every one of the members who went said he was satisfied to accept the report, providing the questions were answered.

The CHAIRMAN: That is on the case of the Merchant Marine but we are now dealing with the report of the railways.

Mr. HEAPS: If we proceed now with the report of the railways, when the other gentlemen return they will probably go over the same work again.

Hon. Mr. DUNNING: Formerly, a complaint was made that the report of this Committee always came in at the tail end of the session, on the last day, and there was no opportunity for the other members of the House to express their views. Therefore I undertook, so far as the Department was concerned, to facilitate the proceedings of this Committee and move it along as fast as possible. I should like to be able to say when I report to the House, that I kept my word. I am in favour of proceeding as fast as possible. However, it is in the hands of the Committee.

Mr. JELLIFF: We would not criticise the Minister at all, Mr. Chairman, on that point.

Hon. Mr. DUNNING: You would not, but other people might.

The CHAIRMAN: If there is delay, it is the fault of the Committee.

Mr. JELLIFF: Whenever there is a public caucus on, this Committee adjourns.

Mr. HEAPS: But if the Minister were not criticized he would not be a Minister. I move that the Committee do now adjourn.

The CHAIRMAN: It has been moved by Mr. Heaps and seconded by Mr. Power, that the Committee be now adjourned until Friday morning, the 4th day of June, at 10.30 a.m.

SESSION 1926

HOUSE OF COMMONS

SELECT STANDING COMMITTEE

ON

RAILWAYS AND SHIPPING

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 6—JUNE 4, 1926

WITNESSES:

Sir Henry Thornton, President, C.N.R.

J. E. Dalrymple, Vice-President.

R. A. C. Henry, Bureau of Economics.

T. H. Cooper, General Auditor.

R. L. Fairbairns, Manager Passenger Service Bureau.

ORDER OF REFERENCE

HOUSE OF COMMONS,

WEDNESDAY, May 19, 1926.

Resolved.—That Rule 10 of the House of Commons relating to the appointment of the Select Standing Committees of the House be amended by adding to the Select Standing Committees of the House for the present session a Select Standing Committee on Railways and Shipping owned, operated and controlled by the Government, to which will be referred the estimates of the Canadian National Railways and the Canadian Merchant Marine for the present session, for consideration and for report to the House, provided, however, that nothing in this resolution shall be construed to curtail in any way the full right of discussion in Committee of Supply; and that the said Committee consist of Messrs. Bell (St. Antoine), Boys, Campbell, Clark, Drayton, Dunning, Euler, Fiset, Harris, Heaps, Jelliff, Jones, Johnston, Power and Robichaud.

Attest.

ARTHUR BEAUCHESNE,

Clerk of the House.

REPORTS

HOUSE OF COMMONS,

WEDNESDAY, May 26, 1926.

First Report: Mr. Euler, from the Select Standing Committee on Railways and Shipping owned, operated and controlled by the Government, presented the First Report of the said Committee, which is as follows:—

Your Committee recommends that its minutes of proceedings and evidence be printed from day to day for the use of the members of the committee and of the House and that Rule 74 be suspended in reference thereto.

Second Report: Mr. Euler, from the Select Standing Committee on Railways and Shipping owned, operated and controlled by the Government, presented the Second Report of the said Committee, which is as follows:—

Your Committee recommends that it be granted leave to sit while the House is in session.

Concurrence: On motion of Mr. Euler, the First and Second Reports of the Select Standing Committee on Railways and Shipping owned, operated and controlled by the Government, were concurred in.

FRIDAY, May 28, 1926.

Third Report: Mr. Euler, from the Select Standing Committee on Railways and Shipping owned, operated and controlled by the Government, presented the Third Report of the said Committee, which is as follows:—

The attention of your Committee having been drawn to the omission of the interim supply voted by Parliament during the present Session, of any part of Items 372 and 373, of the Estimates 1926-27 respecting loans to the Canadian National Railway and the Canadian Government Merchant Marine, Limited;

Your Committee therefore recommends that Parliament grant as interim supply the sum of \$10,000,000 of the said Item 372 and the sum of \$200,000 of the said Item 373.

MINUTES OF PROCEEDINGS

FRIDAY, June 4, 1926.

The Select Standing Committee on National Railways and Shipping opened proceedings at 10.45 a.m., Mr. Euler, the Chairman, presiding. The following members of the Committee were present:—

Messieurs Boys, Clark, Drayton (Sir Henry), Dunning, Euler, Fiset (Sir Eugène), Heaps, Jelliff, Johnston (Long Lake), Power and Robichaud.

Sir Henry Thornton, president, J. E. Dalrymple, vice-president, G. A. Bell, deputy minister of railways, R. A. C. Henry, bureau of economics, T. H. Cooper, general auditor, R. L. Fairbairns, passenger service bureau, and several other officials of the railway staff were present.

The Chairman stated that he believed it was understood that they were to take up the report of the Canadian National Railways, which was before the Committee, and if agreeable to the Committee they would start at page 18, "Railway Operating Revenues and Expenses."

Sir Henry Thornton, Mr. Dalrymple, Mr. Henry, Mr. Cooper, Mr. Fairbairns, and occasionally other officials, were called upon to reply to questions by members of the Committee, during the course of the sitting.

Items under the following headings were considered by the Committee, viz:—

"Railway Operating Revenues and Expenses";

"Railway Operating Expenses";

"Maintenance of Way and Structures." (Pages 18-19.)

The date of the next meeting was discussed. It was considered advisable to meet again on Tuesday, June 8. Sir Henry Thornton stated that it would not be possible for him to be present on that date, but there would be competent officials in attendance to answer all questions possible. After further discussion it was finally decided to meet on the day named, though much regretting the unavoidable absence of Sir Henry Thornton from the meeting.

Committee adjourned.

E. L. MORRIS,
Clerk of the Committee.

MINUTES OF EVIDENCE

JUNE 4th, 1926.

The Select Standing Committee on National Railways and Shipping met at 10.30 A.M., the Chairman, Mr. Euler, presiding.

The CHAIRMAN: Gentlemen, I think we have a quorum now and we will go on with the railway statement. The Committee will come to order. I presume we may deal at once with the "Railway Operating Revenue and Expenses" appearing on page 18 of the Annual Report. Do you want to make a preliminary statement Sir Henry?

Sir HENRY THORNTON: Only this: much depends upon into how much detail the Committee wants to go. There are some of these increases and decreases which are relatively small, compared to the amount involved. I think the practise in past Committees has been not to bother particularly about relatively small increases or decreases which might be entirely circumstantial in character.

The CHAIRMAN: Is it the wish of the Committee that as we take up these items, I should always recite the item so that it goes into the record or will that burden it too much?

Sir EUGENE Fiset: If you wish to read the recital item by item I do not see but what that will help to make it more clear.

The CHAIRMAN: It might be enough to state merely the item such as "freight" or "passenger", and then each member having a copy before him can see the figures for himself. But if you want me to read the figures also I will do so.

Mr. ROBICHAUD: I believe we can deal with it intelligently if the items are stated, and I presume that we can ask any questions on any item when it is read.

The CHAIRMAN: You have hat right of course.

Sir HENRY THORNTON: Probably some of these items will not excite any discussion at all. We will merely tick them off and go on to the next.

The CHAIRMAN: Then the first item is:—"101 freight \$180,482,543.54," an increase there of something over \$9,000,000. Any questions on that?

Then, "102 passenger \$36,618,481.66". A decrease of \$615,000; "103 excess baggage"—a small decrease,—"104 sleeping cars". An increase of 159,000; "105 car and chair car". A little decrease; "106 mail \$3,554,200.23", as compared with \$3,595,261.61". A decrease. Will you explain why there is a decrease in the mail service Sir Henry?

Sir HENRY THORNTON: The amount is not very great compared with the total amount involved. That is almost entirely due to deductions in train service. That is in passenger train service which carried mail. We eliminated some passenger mileage which was unproductive, in fact unprofitable, and that carried with it the abandonment of mail revenue on the services which were eliminated.

The CHAIRMAN: Would you say that the relative allotment of service as between the C.P.R. and the National remains about the same or has there been any change?

Hon. Mr. DUNNING: I think that question is answered in Hansard.

Sir HENRY THORNTON: The Post Office Department paid for carrying mail for the year ending March 31st, 1926, to the Canadian National \$3,156,174.71. To the Canadian Pacific \$3,642,236.64. That is to say they paid for mail services to the Canadian Pacific Railway approximately \$500,000 more than they paid to the Canadian National Railway.

The CHAIRMAN: Has there been any change in the proportion as compared with last year?

Sir HENRY THORNTON: I will ask Mr. Fairbairn to answer that question. He has charge of our mail services entirely and he can answer that in detail more intelligently than I.

Mr. FAIRBAIRN: There has been no change in the situation in respect to the two railways. I can truthfully say there has been nothing taken from us and given to the other railways in any way, shape or manner. The mail services of the country remain the same. During the past year there has been many small increases in mail services on the Canadian National Railways due to increased population and increased traffic, and the railway is putting on new services in new sections where there is increased traffic. These increases, however, did not offset reductions made by the railway in passenger train service, which affected our mail revenue. Loss of mail revenue was taken into consideration when we cut the service. Furthermore the Post Office Department is economising, the same as the railway is. They have reduced the size of units on various services, without affecting the Postal Service in any way, shape or manner, except that it did reduce the expense of the Post Office Department, but the economies made by the Post Office Department, and the reductions made by the railway, more than offset the natural increase in traffic.

Mr. CLARK: Mr. Chairman, do you expect questions to be asked?

The CHAIRMAN: As we go along, yes.

Mr. CLARK: Sir Henry, there is an anomaly in the carrying of mail from I think Edmonton; I am not sure whether Edmonton is considered, but from points on the line from Edmonton to Vancouver. I am informed that mail which is picked up by the Canadian National Railways on that line, is transferred to the Canadian Pacific Railway at Kamloops, and carried into Vancouver.

Sir HENRY THORNTON: I will ask Mr. Fairbairn to bring his chair a little closer as I want him to answer the details of some of these questions.

The CHAIRMAN: Did you hear the question Mr. Fairbairn?

Mr. FAIRBAIRN: Yes, I have heard the question. The answer is that mail originating at points west of Edmonton, to practically as far as Jasper, ordinarily comes into Edmonton and moves down through Calgary and over the C.P.R. to the coast, except that some moves on the tri-weekly service on the Canadian National trains Nos. 1 and 2, Jasper to Kamloops, and is then transferred to the C.P.R. Mail originating on the line between Jasper and Prince Rupert moves either through Jasper to Kamloops or through Prince Rupert, whichever is the fastest service, depending upon the day the letter or package is mailed. So it all moves in a roundabout manner.

Mr. CLARK: I should like to point out that if for instance your train happens to be late at Kamloops, and the C.P.R. mail train has left, that means twenty-four hours delay, whereas, your trains are going to Vancouver at approximately the same time as the C.P.R. In fact, I think they arrive in Vancouver about an hour earlier by their schedule. Why is not that situation represented to the Post Office Department, and corrected? While I am not advocating giving all the business to one line, I do think that in cases like that the present practice is ridiculous, unless there is some underlying reason that I know nothing about.

Sir HENRY THORNTON: What is the answer to that Mr. Fairbairn?

Mr. FAIRBAIRN: That is a matter pertaining solely to the Post Office Department. Mail that misses connection at Kamloops will go on the next mail train and that will mean its arrival twelve hours later and it will be delivered in Vancouver twenty-four hours later than if it had caught the train intended.

Sir HENRY THORNTON: Mr. Fairbairn will correct me if I am wrong. All these arrangements for the movement of mail are made after consultation between the individual railway companies and the Post Office Department, and we of course follow the instructions, and must necessarily follow the instructions of the Department. Am I right in that?

Mr. FAIRBAIRN: Yes, sir.

Sir EUGENE Fiset: I am sorry Sir Henry but I do not find that that always works out in practice. Sometimes the mails are delayed because they must wait for trains that stop at the station, and we ask the Post Office Department why this is done and they say because the railway has reduced the number of trains. Therefore we are passed from the one to the other for an explanation, and we find we are more or less between the devil and the deep sea, if I may use that expression.

Sir HENRY THORNTON: I feel quite safe in saying General, that we have never refused to stop a train at any station, unless the stopping of that train would seriously interfere with the maintenance of the schedule. You cannot stop certain fast trains except at certain points which are selected for stopping and which are essential for the business of the train. And you cannot increase the number of stops without seriously interfering with the schedule of the train.

The CHAIRMAN: Do not some of the fast trains merely hesitate at a station instead of stopping?

Sir HENRY THORNTON: No, not for mails. We can pick up and throw off mail while the train is in motion, but of course there is a limit to the amount of mail that we can handle in that way.

Mr. HEAPS: May I ask if anyone from the Post Office Department is here this morning?

The CHAIRMAN: No.

Mr. HEAPS: Arising out of the discussion last week. I received a letter from the Postmaster General saying that if I wanted information I could get it from the Department.

The CHAIRMAN: If there is to be any extended discussion on this subject of mails, the officials of the Department should be here.

Mr. HEAPS: The Postmaster General said that if I wanted certain information that was referred to, I should have asked for it from his Department, and that he is tabulating the information as to the amount of mail business given to the two large railway companies.

Sir EUGENE Fiset: I think it would be useful in the discussion of this subject, that we should have an officer of the Post Office Department here. It is a matter that is subject to adjustment between the Post Office Department and the railway companies, and I do not think that this Committee can accomplish anything by trying to adjust details, especially in cases of relatively not great importance.

The CHAIRMAN: It would be a matter of getting information.

Mr. CLARK: The case I mention is of major importance. It refers to at least 350 miles of railway and a very large number of people are effected by the transfer of mail from one through train to another, if a delay occurs. I should like to know first whether the Canadian National Railway management approves of that situation.

The CHAIRMAN: Let me get that question right, General. It is interesting to me. You say a train comes into Kamloops, on the National Railway, and is going through to Vancouver, but instead of carrying the mail through it is transferred at Kamloops to the C.P.R. train.

Mr. CLARK: Yes, if you will look at the map at the end of this report you will see the line of the Canadian National from Edmonton to Kamloops and the line of the C.P.R. at that point. They really cross there. They are on opposite sides of the river. The mail is taken off the National railway train at

Kamloops and put on the C.P.R. train and then both trains go to Vancouver. The National train is going right through and get to Vancouver earlier than the C.P.R. train.

Mr. FAIRBAIRN: That is due to an order from the Post Office Department. We carry the mail between stations as ordered by the Post Office Department.

Sir HENRY THORNTON: Does that answer your question General?

Mr. CLARK: No. Do you simply accept the order or do you point out to the Department an anomaly of this sort, and make representations in the particular case, stating for instance that this mail should be carried on to Vancouver in the National train?

The CHAIRMAN: I do not know that the railway officials would make representations. They would simply carry out the order given them.

Sir HENRY THORNTON: We try to get all the mail business we can, naturally; but in this case to which General Clark has referred, have we had any discussion with the Post Office Department, having for our object the carrying of that mail through to Vancouver?

Mr. FAIRBAIRN: Yes sir, we have had that question up; Also the Vancouver Board of Trade, the Edmonton Board of Trade, and other places along the line that are interested have had it up repeatedly with the Post Office Department. I cannot say positively, but I have been informed that it has gone up to the Cabinet, and they have stated that the expense that would be incurred to give the additional service is not justified by the volume of the traffic.

Sir HENRY THORNTON: The answer to your question, General, then is this: your statement of what happens is correct. We have made such representations as we decently could to get the traffic, and the Post Office Department has decided that this is the way they want the traffic handled. Is that a correct statement?

Mr. FAIRBAIRN: Yes sir, that is correct.

Mr. CLARK: But how can you save money by transferring the mail from one through train to another; taking it off one train and loading it on another train on another line? How is that going to save money? Now, I ask you that?

Sir HENRY THORNTON: That is a matter, General, that is not in our hands to determine.

Mr. CLARK: But the answer was that it was represented that it would cost more money to carry it through on your train.

The CHAIRMAN: If those mails remained on your train and were not transferred at Kamloops, would those mails reach Vancouver as quickly as they do by transferring them to the C.P.R.?

Mr. FAIRBAIRN: Yes, they would.

Mr. CLARK: Quicker.

Mr. FAIRBAIRN: Thirty-five minutes quicker.

The CHAIRMAN: Then can you see any reason why they should be transferred?

Mr. FAIRBAIRN: It is a question of economy in the Post Office Department.

Mr. BOYS: I suppose the contract with the C.P.R. demands that they take the mail on that train. If you disarranged that service you would have the expense of a mail on each train.

Mr. CLARK: Let me suggest a reason, that is that the C.N.R. has not the mail cars or equipment required to safely carry the mails. I don't know what type of car is required that would protect that class of mail, but that was the reason suggested to me.

Mr. BELL (Deputy Minister of Railways): The mail comes in in one car to Kamloops, and the same car goes on to Vancouver.

Mr. CLARK: Yes, but one suggestion made to me is that the protection in the particular car in which the mail is carried on the Canadian National does

not come up to the requirements of the Post Office Department. There is only one line going through there, and they must carry the mail on that particular train, but when it comes to a point where there is additional protection given by reason of a particular type of mail car, and particular protection in that car, they transfer it. Surely the National Railways will know if there is anything in that.

Mr. FAIRBAIRN: It is not a question of equipment it is a question of cost of service. There are two mail services on the Canadian Pacific all the way from Sudbury to Vancouver; their trains three and four, Toronto to Vancouver, and the Imperial Limited, trains one and two, Montreal to Vancouver. This mail, when it reaches Kamloops, goes in an authorized unit and it does not cost them anything additional for the carriage of that mail from Kamloops to Vancouver. The authorized units on the Canadian National are small, being four foot units, and cost about twenty cents a mile, which would average about \$20 a day, for that service. Then, for the side service, the Canadian National station at Vancouver has not that service at the present time, and that would increase the cost.

The CHAIRMAN: Do you say it would cost nothing to carry the mail from Kamloops to Vancouver?

Mr. FAIRBAIRN: It goes in the authorized unit.

The CHAIRMAN: And the conditions are better on the C.P.R. than on the Canadian National?

Mr. FAIRBAIRN: There is no mail service on the C.N.R. in and out of Vancouver, and there is no contract for side service, and they would have to make an additional contract for the carriage of mail between the Post Office and the Canadian National station in Vancouver. It is a question of dollars and cents to the Post Office Department. There is no other question enters into it.

Mr. CLARK: Would that cost be any greater than the cost of taking the mail off at Kamloops, carrying it to the C.P.R., and loading it on the C.P.R.?

Mr. FAIRBAIRN: The transportation between the two trains at Kamloops practically costs the Department nothing; there has to be a local service on the Canadian National, between Jasper and Kamloops. One contractor carries all the mail to and from the Canadian National and the C.P.R. station at Kamloops. He does the whole thing for one lump sum.

Sir HENRY THORNTON: Is that point cleared up in your mind, Mr. Clark?

Mr. CLARK: It is not entirely satisfactory.

Sir HENRY THORNTON: Is there any criticism or suggestion you have to offer to us?

Mr. CLARK: Well, just this, that I see that the Pacific coast points are not getting the service they deserve: that the mails from Edmonton and points west on the Canadian National are being delayed 24 hours in delivery on occasion.

Sir HENRY THORNTON: In view of the surrounding circumstances, is there anything you can suggest we could do more than we are doing?

Mr. CLARK: Except to point this out, in justice to your customers on the Pacific coast, that you would like to see them get the service they deserve in the delivery of the mails.

Sir HENRY THORNTON: What I want to get at is, is there anything in your mind, in any way in which we have been remiss, because, after all, the object of this meeting here is to find the ways in which we can improve our service, and very often the suggestions of local members who perhaps see the whole thing at closer range than I do, are extremely useful.

Mr. CLARK: It will not cost your line one cent more, because you are carrying the car anyway, to continue the carriage of that mail from Kamloops to Vancouver. The only cost to you is the unloading of it. You might as well unload it in Vancouver as in Kamloops; the only extra cost, therefore, would

be for the Post Office Department to have one of these cars meet the Canadian National Railway. The car is at the station a dozen times a day, and it would cost the Post Office Department very little more to meet the train carrying that mail, take it to the Post Office, without going to the Canadian Pacific. The extra cost would be very little, and I would suggest that your railway could very well carry that mail from Kamloops to Vancouver for nothing.

Sir HENRY THORNTON: We would like to carry it, and have made every representation within reason to the Post Office Department for the purpose of getting the business, but I am not going to embark in any agitation which is going to be embarrassing to a customer.

Mr. CLARK: Am I correct in saying that you are willing to carry it from Kamloops to Vancouver for no greater amount than you are now getting?

Sir HENRY THORNTON: Not on your life. We are not giving anything away.

Mr. CLARK: I am pointing out it would not cost you any more to carry that from Kamloops to Vancouver than it costs you now.

The CHAIRMAN: Gentlemen, could not representations be made from the people who are now inconvenienced—say the Vancouver people—to the Post Office Department?

Mr. CLARK: It has been done.

Hon. Mr. DUNNING: The question of inconvenience only arises when the Canadian National is late, and that very rarely happens.

Mr. CLARK: Now, let us not get into any argument about that.

The CHAIRMAN: Are there any other questions on the mail item?

Mr. BOYS: Do you know the basis on which this contract was made? I don't know the right words, but are they what you might call "trip" contracts, or does the remuneration of the railway company depend on the matter carried?

Mr. FAIRBAIRN: It is on the space taken. There is one contract. The rates are based on space, and the post office can cancel a contract, or give a new service on 24 hours' notice.

Mr. BOYS: That is the reason when this mail is transferred, it does not increase the space taken, or cost any more?

Mr. FAIRBAIRN: They pay according to the space. Baggage cars have three foot, seven foot, and fifteen foot compartments. Postal cars are equipped with thirty feet and sixty feet compartments. There are sixty feet compartments operating on the C.P.R., and they take the mail in there, and it is carried in the authorized units.

The CHAIRMAN: Do you say that a contract can be cancelled on 24 hours' notice?

Mr. FAIRBAIRN: Yes.

The CHAIRMAN: So that would not be a factor—

Mr. FAIRBAIRN: They would have to make a contract for the carriage of mails to and from the station.

The CHAIRMAN: Any further items on this question? If not, we will pass on to number 107 "Express," \$13,000,000; almost exactly the same as the year before.

Sir HENRY DRAYTON: In connection with Express, there have been a lot of complaints lately from the merchants, that our express rates are tending to put the local people out of business, and are really for the purpose of looking after the large departmental stores. Have you had any complaints put up to you? I have had a lot of them.

Sir HENRY THORNTON: Mr. Dalrymple, have you had any complaints in regard to the express rates, prejudicing the local dealers and favouring the large departmental stores in large cities?

Mr. DALRYMPLE: No sir.

Sir HENRY DRAYTON: There was a deputation waited on the government about that, and then came to us, so the government did not pass it on to you?

Sir HENRY THORNTON: For once.

The CHAIRMAN: It might still come.

Sir HENRY THORNTON: We may get it; I don't know.

Sir HENRY DRAYTON: The complaint is that the rates on express are unremunerative, and the small dealers who are carrying on business, through their taxes, are helping to put themselves out of business.

Sir HENRY THORNTON: Is that a movement for higher express rates?

Mr. DALRYMPLE: There is no difference, according to the quantity of goods.

Sir HENRY DRAYTON: Are the express rates remunerative?

Mr. DALRYMPLE: We claim they are not. This has been before the Board of Railway Commissioners for two years, but we have had no decision as yet.

Sir HENRY DRAYTON: These people say that you put in a rate higher than you might have otherwise, to meet the postal competition, and they blame the government for the parcel post.

Mr. DALRYMPLE: We have made the statement that government rates are too low for parcel post, but I have not seen any great amount of business resulting from that.

The CHAIRMAN: The next item "Other Passenger Trains"; a small reduction. "Milk"; a small reduction. "Switching".

Sir EUGENE Fiset: With regard to Milk service; I have a few complaints more or less of a local character, as far as the lower part of the province of Quebec is concerned, which is nearly as bad as the Maritime Provinces in regard to transportation. We are having difficulty in obtaining refrigerator cars, to serve the needs of the patrons. They want these refrigerator cars at special sidings on special days of the week, and it seems to be impossible to get them. Is there any possible way to modify this arrangement? With whom could we communicate on this matter?

Sir HENRY THORNTON: If you will be so good as to let me know, it will be a pleasure to give this very sympathetic consideration.

Sir EUGENE Fiset: It is hardly fair to write to the President of the road—

Sir HENRY THORNTON: Nevertheless, the unfairness will be compensated by the pleasure of hearing from you. Take that up with me, General, and we will be glad to go into it.

Sir EUGENE Fiset: I am not speaking entirely for my own constituents. I am in rather a peculiar position; these complaints have come from three, or four, or five counties.

Sir HENRY THORNTON: If you have any complaint, if you will write to me we will be very glad to go into it to see what can be done.

Mr. JELLIFF: Is there any decrease in the returns from milk, due in any way to the motor truck?

Sir HENRY THORNTON: Yes. The decrease is largely due to milk being transported to a greater extent by motor truck. This condition is noticeable on the Grand Trunk western lines, between Valparaiso and Chicago. You are right.

The CHAIRMAN: The next item "Switching"—\$2,950,000; increase \$390,000. "Special Service Trains"; a small item. "Water Transfer"; "Water Transfer", and again; four items. They are all small. "Dining Room and Buffet"—\$1,420,000; a slight increase—\$22,000. Any questions there? "Restaurants", a small item. "Station Train and Boat Privileges".

Mr. JOHNSTON: There is a big difference there in "Restaurants".

The CHAIRMAN: I mean the total item is small. There is a reduction there of \$63,000.

Mr. JOHNSTON: How is that accounted for?

Sir HENRY THORNTON: (Reading) "Effective April 1, 1925, the restaurants which were not already operated by the Canadian Railway News Company

were taken over for operation by that company, since which date the revenue in this account represents the percentage paid to us by the Canadian Railway News Company, while in 1924 and the first three months of 1925, the gross revenue from the restaurants was included in this account." In other words, as I understand it, the difference there has been due to a change in charging revenue.

Mr. BOYS: Are you losing any money by that change?

Sir HENRY THORNTON: No, I don't think we are. I think it is an advantageous arrangement. This question was discussed at considerable length at the meetings of the committee last year.

Mr. POWER: You have the decrease because last year the gross receipts were entered, while this year it is the net.

Sir HENRY THORNTON: I think that is it.

Sir HENRY DRAYTON: I think last year you were losing money, and you changed the arrangement.

Mr. HEAPS: Were the expenses last year included?

Sir HENRY THORNTON: The expenses were included.

Mr. HEAPS: Was anything saved in the expenses?

Sir HENRY THORNTON: (To Mr. Henry) He wants to know how much was saved?

Mr. HENRY: I cannot answer that offhand.

Sir HENRY THORNTON: The expenses are in Account 442. There is a decrease of \$55,126 in expenses.

The CHAIRMAN: Item 133, "Station Train and Boat Privileges". I suppose those are all given by contract?

Sir HENRY THORNTON: Yes.

Mr. POWER: Are all these contracts given to one company—to the Canadian News Company?

Mr. COOPER: No, they are not. I don't think any of these go to the Canadian Railway News, except the privilege of selling candy and papers. The others—there are certain insurance companies, and there is a locker company which operates a patent locker arrangement at the bigger stations.

The CHAIRMAN: The next item "Parcel Room". Is that sublet or is that an enterprise of the railway itself? For instance, there is the Union Station in Toronto. Is that operated by the railway?

Mr. COOPER: That is the company's.

Mr. FAIRBAIRN: The lockers in the Union Station in Toronto are operated by the Canadian National.

The CHAIRMAN: What about the other stations?

Mr. FAIRBAIRN: Where it is an exclusive Canadian National station, we run this locker room ourselves.

The CHAIRMAN: "Storage and Freight".

Sir EUGENE Fiset: Under this heading of "Freight", I want to discuss a question of the transportation of potatoes. Does it come under this item of "General Freight"? I suppose we can discuss it if we want to.

The CHAIRMAN: That would be on the first item.

Sir EUGENE Fiset: Yes, but unfortunately we did not know that.

Sir HENRY THORNTON: What is the difference?

Sir EUGENE Fiset: What I want to say is this. You will remember last year, Sir Henry (Thornton), a few members of the House of Commons approached the Railway Commission with the view of obtaining a better rate for the transportation of potatoes, for New Brunswick, Nova Scotia, and the lower part of the province of Quebec. After the hearing, you were kind enough to create new zones, one east of Riviere du Loup to Port Arthur, and the other zone east of Riviere du Loup to Montreal, in order to compete with the market in western Canada. This was very successful last year. Over and above that,

you were kind enough to take into consideration that the eastern part of the province of Quebec, and the whole of the Maritime Provinces were potato raisers to such an extent that it compared very favourably with the growing of grain in western Canada, and you gave us 300 cars to transport these crops in the winter time. These cars have been marvellous, and I would like to ask if we could not be promised, at least for certain sections of our communities, that a certain number of these cars could be kept on permanently, in order to serve the needs of the local population. For instance, you have given us an undertaking that 25 of these cars will be kept at the terminal point of Mont Joli in order to serve the counties of Temiscouata, Rimouski, and Matane. Unfortunately, this did not work out satisfactorily at a certain stage, and we had difficulty in obtaining these cars, and certain complaints have come forward from the potato raisers of the lower part of Quebec, and New Brunswick. One particular complaint is, as made by the potato growers, that when you place these cars in a freight train, you place them either in the middle of the train, or at the end of the train near the engine, and they are asking as a special favour that these cars should be placed next to the van. It is only a matter of detail, but it is extremely important to our people, and I may tell you frankly that we are pestered with applications, asking that these instructions should be given, if at all possible.

Then, there is a third thing. They are asking also that these special zones which you have created and these special rates you have given, reducing the rates on potatoes from fifty cents a bushel to twenty-nine cents a hundred pounds, applying only for a certain period of the year, should be renewed for this year, if at all possible.

Then, sir, by a special arrangement, you have given us the authority to pay this freight at destination, notwithstanding the fact that freight on perishable commodities is supposed to be paid in advance. You have given instruction that a bond would be accepted, provided it were signed by a responsible man in the parish, or the priest of the parish, and I beg of you, sir, to try and give us the same thing, because it will be of immense benefit to the people, not only of lower Quebec, but of New Brunswick and Nova Scotia.

SIR HENRY THORNTON: Would it be satisfactory to have a note made of the points you have mentioned, and if you will communicate with me later on, I will see what we can do. I see no great obstacle in the way of agreeing to that.

SIR EUGENE Fiset: You gave it to us last year, and we ask to have it renewed, but we have to renew our request every year. I quite understand these special zones cannot be created permanently, yet they have helped the local population tremendously.

SIR HENRY THORNTON: I am glad we have been of some assistance to the local population, especially in your constituency, and you and I can settle this question easily.

MR. DALRYMPLE: I think I can clear up the car situation. We did promise to furnish them cars as he says, but it happened, unfortunately, or otherwise, as the case may be, that the price of potatoes in the United States jumped by leaps and bounds, and the Canadian shippers took advantage of that, and diverted the cars into the United States.

SIR HENRY THORNTON: And then we kissed them goodbye.

MR. DALRYMPLE: Yes.

MR. HEAPS: Would the management of the railroad be prepared to give the same privilege as regards potatoes, to other parts of the country? We raise a great many potatoes in Manitoba.

SIR HENRY THORNTON: Wherever business originated, we will certainly try to take care of it. I will be glad to consider any community at any time, which has business to offer, potatoes or anything else.

Mr. HEAPS: While we are on this potato question, I would like to know if it is the policy of the railway, whenever it is at all possible, to ship these commodities by Canadian roads?

Sir HENRY THORNTON: Yes, invariably. I can only answer that question in a general way. If there is some specific case where it is not done, I would like to know what it is.

Mr. ROBICHAUD: Speaking personally, I had a specific case where it was impossible for me to get proper routing of a shipment of potatoes. This shipment was routed where your railroad has only a few miles of track and it then went by the C.P.R. to McAdam, and then by American roads to points in Connecticut. By this route, it took fourteen days for a car to reach its destination. If this shipment was routed by Montreal, it would go through in four days at the very most. Now, the committee appreciate the difficulty of the potato shipper, or of the farmer when his perishable goods are held fourteen days en route from New Brunswick to Connecticut points.

Mr. DALRYMPLE: This shipper has the right to route his traffic via any route for which the tariffs are applicable. The Board of Railway Commissioners give the shipper that right, and we have to obey the orders of the Board. I do not happen to know the circumstances under which any diversion took place, unless it was caused where we had received empty equipment from a connecting line, and wanted to send that equipment back loaded. In regard to the situation, when we got going to Vanceboro, that situation will be greatly improved.

The CHAIRMAN: Is that satisfactory, Mr. Robichaud?

Mr. ROBICHAUD: No, it is not satisfactory, so far as I am personally concerned. It is only a personal matter, but it affects the farmer.

Mr. DALRYMPLE: I shall be glad to investigate any situation the gentleman refers to.

Mr. ROBICHAUD: I will be glad to submit two specific cases to you.

The CHAIRMAN: Well, shall we pass on? Items 135 and 136, relate to storage—freight and baggage. Any question on this? 133, "Demurrage"; an increase of \$25,000. "Telephone and Telegraph", a small item; "Grain Elevators", an increase of \$64,000.

Mr. CLARK: In regard to telegraphs: the revenue of the telegraph company is entirely separate?

Sir HENRY THORNTON: That happens to be a small line on the D. W. and P., the line between Winnipeg and Duluth.

Mr. CLARK: We do not consider in this committee anything about the Canadian National Telegraphs?

Sir HENRY THORNTON: You can if you like.

The CHAIRMAN: We never have.

Mr. CLARK: Just as a matter of curiosity, how do their operating revenues and expenses shape up? Do they make money?

Sir HENRY THORNTON: I will get that item, and tell you in a minute; I will get you that information. Will you bring that up again, General?

Mr. CLARK: Yes.

The CHAIRMAN: The next is grain elevators.

Mr. ROBICHAUD: Are any of those under the control of the Canadian National Railways?

Sir HENRY THORNTON: Yes.

The CHAIRMAN: We are coming to that item a little later.

Mr. JELLIFF: Who is operating those grain elevators, the company?

Hon. Mr. DUNNING: That includes all revenue from grain elevators; leased as well as those operated.

Sir HENRY THORNTON: I did not hear your question, Mr. Jelliff.

Mr. JELLIFF: I was asking whether the company operated them or are they mostly leased.

Sir HENRY THORNTON: Some we operate, and a good many are leased.

The CHAIRMAN: 142. Rents for buildings and other property. An increase of \$51,000.

Miscellaneous; \$1,538,415.39. An increase of \$62,000.

Joint facilities credit and debit. I suppose those are book-keeping?

Sir HENRY THORNTON: Entirely.

The CHAIRMAN: Total operating revenues, \$244,971,202.61, as compared with \$235,588,182.55 in 1924. An increase of \$9,000,000.

Mr. CLARK: Before you pass from that, Mr. Chairman, I notice that the bulk of the increase is due to freight. I wonder if Sir Henry could tell us what classes of freight account for the increase.

Sir HENRY THORNTON: Yes, we can give that.

Mr. DALRYMPLE: Page 33 gives it.

Sir HENRY THORNTON: The figures for 1924, \$174,450,000. I only give the round figures—which increase by \$9,437,000. The revenue tons carried are increased from 52,500,000 tons by 2,500,000 tons, to a total tonnage in 1925 of approximately 55,000,000 tons. The revenue ton miles showed a corresponding increase.

The percentage in revenue shows an increase of 5.51 per cent tons carried. The revenue, that is the tonnage translated into dollars increased by 3½ per cent. And the revenue tons increased 4.76 per cent. In other words, the revenue from the tonnage increased slightly more than the increased percentage in the tonnage.

Products of agriculture gives the figures for the two years with the increase or decrease. Would you rather have the tons or the percentages or both?

Mr. CLARK: We have this on page 33, Sir Henry. What I wanted to get at is this. We will take for example the first item, wheat. There seems to be an increase of some 365,000 tons. Now could you give the percentage of increase in tons and the percentage of increase in dollars?

Sir HENRY THORNTON: In other words, the General wants to know how much was the percentage increase in tons and how much was the percentage increase in dollars comparing the two.

Mr. CLARK: Yes.

Mr. COOPER: The percentage of wheat tonnage in 1924 was 10.13. And in 1925 was 10.34.

Hon. Mr. DUNNING: Is that the percentage to the total?

Mr. COOPER: Yes sir.

Hon. Mr. DUNNING: Not the percentage of increase, but the percentage of wheat.

Mr. COOPER: To the total tons of commodities carried.

Sir HENRY THORNTON: That is not what he wants. The General wants to know how much our wheat tonnage increased in 1925 as compared with 1924; and how much did the revenue therefrom increase in the same years.

Mr. COOPER: I have not got the percentage but the tonnage in wheat was 365,000 increase.

The CHAIRMAN: Will you speak a little louder please?

Mr. HEAPS: In dollars and cents, how much did you receive actually?

Sir HENRY THORNTON: No, he wants both.

The CHAIRMAN: Both the percentage of increase in quantity of wheat, and the percentage of increase in the receipts.

Mr. CLARK: I can work the figures out as far as tonnage is concerned, but I cannot work them out as far as dollars are concerned, because we have not the figures here.

Mr. COOPER: We have not got that. We could not give the money figures.

Mr. CLARK: This may be humiliating to the Committee. Sir Henry said the tonnage is increased by four something, and in revenue it is increased by

five something. Now take for example wheat; it may be that the percentage in tonnage is higher than the percentage in dollars. That is a complex question.

The CHAIRMAN: They are not relatively the same. It may be because more goes to Vancouver.

Mr. CLARK: Yes, that may be.

Mr. DALRYMPLE: The figures of tonnage are shown on page 33. We have not taken out the figures of our earnings on wheat covering the entire system for the years 1925 or 1924. We have taken out certain figures regarding the movement of wheat from certain sections of western Canada and also from the Lake Ports. Taking the entire aggregate it would mean that we would have to go through our billings for the entire years. We do not keep our certificates in that manner. Generally speaking, the rates on wheat were the same in 1925 as in 1924 with the exception of certain reductions which the Board of Railway Commissioners ordered on grain for export via Vancouver. So that you can safely figure that your revenue on wheat during 1925 was somewhat less than during 1924.

Sir HENRY THORNTON: Less by the amount that the rate to Vancouver was reduced?

Mr. DALRYMPLE: Yes.

Mr. POWER: Would it not be a good idea to increase the rate to Vancouver?

Mr. CLARK: No.

Sir HENRY THORNTON: Far be it from me to raise any objections if anyone wants to increase our rates. I will be very willing.

The CHAIRMAN: We do not want to raise the question of freight rates here.

Mr. HEAPS: I see there was a reduction in passenger income of over \$2,000,000.

Hon. Mr. DUNNING: No.

Sir HENRY THORNTON: \$615,000.

Mr. HEAPS: Is that general in Canada, the reduction of those revenues?

Sir HENRY THORNTON: Mr. Dalrymple, Mr. Heaps would like to know how we explain a decrease of \$615,000 in passenger receipts.

Mr. DALRYMPLE: The answer to that is fully given on page 8. It reads as follows:—

"Passenger earnings decrease by \$615,516.78 or 1.6% as compared with 1924 earnings. The number of passengers carried shows a decrease of 1,032,641, or 4.5 per cent. This indicates the preponderance of long haul traffic. The decrease in short haul traffic is no doubt due to general business depressions during the earlier months of the year, and also to motor bus competition which has increased considerably."

Sir HENRY THORNTON: I should say that perhaps the largest single item entering into the decrease is motor bus competition.

Hon. Mr. DUNNING: On the short haul.

Sir HENRY THORNTON: Yes.

The CHAIRMAN: They have some pretty long hauls don't they, with motor busses now?

Sir HENRY THORNTON: Yes, they have.

The CHAIRMAN: The next item is "railway operating expenses." The first item of that is maintenance of way and structure. The operating expenses are summarized there.

Hon. Mr. DUNNING: Instead of the detail of that there are three or four heads of it, and many questions might arise of the main items as summarized on page 18. The general heads are there.

The CHAIRMAN: Do you want to discuss these operating expenses in detail? What is the pleasure of the Committee? Shall we take them up item by item?

Mr. ROBICHAUD: Item by item.

The CHAIRMAN: The first item is "maintenance of way and structure" and shows a decrease of a little over a million dollars.

Sir EUGENE Fiset: Sir Henry, I have already communicated with the officers of the Eastern division of the railway with reference to the maintenance of fences in the county of Rimouski and adjoining counties. We have thousands of complaints that your fences are in most awful shape. There was an order made for the repair of fences and the amount of claims you have paid owing to the bad state of your fences in that area would go far to pay for the upkeep of the fences. We are not represented by a Director in that part of the country, and with the removal of the authority from Riviere du Loup and those counties we have to deal directly with Moncton and Campbellton for any redress that we may hope for. I hope, Sir Henry, that this year you will be able to remedy that. It is becoming unbearable.

The CHAIRMAN: No. 221 shows an item of \$30,000 increase for fences here. That would be for your county probably.

Sir EUGENE Fiset: That part of the province of Quebec is separated from the purview of the management of the railways representing that area of the country. Therefore this is the only place where I can possibly bring the matter up. The allotments are made by the high officials at headquarters at Montreal, and it is rather awkward to write to Montreal in respect to these details.

Mr. POWER: May I suggest an additional item for police protection for the fences?

Sir HENRY THORNTON: There is nothing that improves the value of a cow so much as to cross it with a C.N.R. locomotive, and as far as that is concerned, General Fiset, the presence of a Director would not affect it. It is a detail that directors would not deal with, excepting in a matter of general discussion. We have a very large increase in the amount of money we are spending on fences. That is of course a thing that has to be prosecuted year by year. You can well understand that in a relatively new country like Canada with the enormous mileage that we have, to properly fence the whole of the right-of-way involves a tremendous sum of money. We are not only giving careful attention to the question of fences, but also to cattle guards. In respect to local Directors, may I say that I am only too glad if you, or any other Member of Parliament—although this invitation may not be necessary—will feel quite free to write to me upon any subject which affects conditions in your constituencies.

Sir EUGENE Fiset: Then there is another question which we might discuss on this, as I think it materially affects the maintenance of way. That is the question of the promotion of your sub-staff, more especially what are called track men. I have had a good deal of correspondence with your officials, without troubling headquarters, on the matter. I refer particularly to the district I mentioned before, Rimouski and the adjoining counties, in Quebec. They belong to the eastern section of your railway. When the position of section foreman becomes vacant in that district, a man may be sent from Moncton or New Brunswick, generally, into that French speaking district; or on the other hand a French speaking foreman may be sent into an English speaking district in New Brunswick. A foreman may be promoted into the Rimouski area who can only speak English.

Sir HENRY THORNTON: May not that be an advantage?

Sir EUGENE Fiset: I understand they are promoted by seniority. What the men ask in the district I refer to is, that these promotions of the sub-staff should be made by the roadmaster in charge of sections of the railway. That is I understand a section of about 100 miles. If that were done, we would not have the difficulties, and I think that situation occurs all over the line, and I think

you have had recently not only inquiries but a demand on the subject matter. I might say frankly, speaking as a Member of Parliament and not interfering with the management of the railway in any way—I have not interfered I may say in any way, shape or form,—but representing those people we have to bring the question up somewhere or other, and as I tell you, we are not represented on the Board of Directors in that section of the country.

SIR HENRY THORNTON: Generally speaking the promotion of foremen and men of that sort, is definitely determined by the contracts which we have with the men and their various grade unions, and we must necessarily adhere to the terms of those contracts. Now, if there is any body of our men who are dissatisfied with any of the terms of their contracts, they ought to take that up through their proper trade union officials and have it adjusted one way or the other. Generally speaking, I think it is better to make promotions to sub-foremen and to positions of that sort, locally, wherever possible, and wherever it is within the terms of the contract which we have with the trade union. We have tried to handle that matter to the satisfaction of local interests, and at the same time to keep within the four corners of our various contracts. As long as our men go in for collective bargaining, as they do, through their trade unions, when we execute a contract we necessarily must stick to that contract and they must stick to it too.

SIR EUGENE Fiset: What I have said is because I have received—I will not say an application or protest, because they do not go that far—but I have received a request to take this matter up, from the local trade union of the men. That is why I am bringing the matter up at the present time.

SIR HENRY THORNTON: They ought to take it up with their trade union, because it is their funeral, they have done this themselves; it is not for us to adjust it, unless there is some great injustice.

SIR EUGENE Fiset: It so happens that the local union is French-Canadian, and it is extremely awkward and hard for them to take this up with the headquarters of the general union, because those headquarter officers do not speak French, and I do not think their communications receive the attention that perhaps they should.

SIR HENRY THORNTON: I do not know that there is anything more I can say gentlemen. We will always endeavour to satisfy the local communities in the matter of promotions, so long as it does not violate a contract and so long as it is not contrary to the interests of the railway as a whole.

SIR EUGENE Fiset: I am afraid, Sir Henry, that you are mixing two questions a little. I think the question of promotion, with regard to the promotion of your employees, is independent of the trade union. Some of them have been promoted over the heads of others notwithstanding the facts that they were seniors. I have taken the matter up with your officials, and I could not get satisfaction. I think the question of promotion is dealt with by your own staff. Sir Henry.

SIR HENRY THORNTON: To a large extent it is, but of course there are certain rules which we have with respect to promotion by seniority which we must necessarily follow. To depart from that would be, I think, to strike a blow at the foundation of trade unionism.

MR. HARRIS: Do not seniority and efficiency both count for promotion?

SIR HENRY THORNTON: Yes, we promote the senior man providing he is competent. If he is not competent, of course we cannot promote him.

SIR EUGENE Fiset: No one can find fault with that. But the promotion is done through the whole division, the eastern division, and it so happens that this section of the province of Quebec has been brought into that eastern division, and they have no one to look after their interests. There are three counties there, and those people are all French Canadians, all living within that community. You can understand yourself what will happen if a section man is

transferred from the county of Rimouski to New Brunswick, to an English speaking town. That is why these people think they should have a division of their own. Of course, I am not talking of train men or engineers who are employed all through the division, but of those special local men.

Sir HENRY THORNTON: You are speaking of stationary employments.

Sir EUGENE Fiset: Exactly, and if they were promoted by the roadmaster within the three counties, it would eliminate the difficulty.

Sir HENRY THORNTON: We will inquire into it and see what can be done.

The CHAIRMAN: Mr. Nicholson is not a member of the Committee, but he would like to speak. Is he accorded permission?

Mr. NICHOLSON: The question that has been raised is perhaps one of the most dangerous elements that could enter into the operation of the National Railways, as it involves the question of political influence. I would like the President to answer a question on this point. If the question of promotion in this service is not left exclusively to the officers of a particular department, and worked out, as has been stated, in harmony with the contractual obligations entered into between a group of employees and the National Railways; if the officers are interfered with, is it not going to break down the morale of the service perhaps to the greatest degree that the morale of the service can be broken down?

The CHAIRMAN: I do not think the General made that assertion, or that it was involved in what he said.

Sir EUGENE Fiset: I object extremely to this statement as applying to my remarks. I had nothing of that kind in my mind. I did not speak in order to interfere with the administration or with the duty of any officer of the railway. I am simply mentioning here the union within those several counties, where the men have no means of bringing their difficulties before the management.

Mr. HEAPS: I do not think those cases should come before Parliament at all. They should be left in the hands of the proper union organizations, and if the officials are not doing their duty, that will be ascertained, and brought to light.

The CHAIRMAN: I do not think this Committee can deal with the internal management in that connection. Is there any further discussion on that item? Are you through with your question Mr. Nicholson?

Mr. NICHOLSON: Yes, Mr. Chairman.

Sir HENRY THORNTON: Just a word or two to clear this point up. As far as Mr. Nicholson's question is concerned, as I have said before, I repeat again: as President of this property certainly I am not going to permit any interference with promotions and with the administration of the property which is repugnant to the interests of the property. I certainly cannot permit it, and when I cannot operate this railway under those conditions, you can of course, get someone else to do it.

The CHAIRMAN: I would like a question there. Has there been any effort made on the part of any one to do that?

Sir HENRY THORNTON: No. Naturally we have requests from various gentlemen. There is hardly a member of Parliament who does not, from time to time, approach me in regard to various things that he thinks may be in the interest of those who live in his district. We always listen courteously and reply politely, and if we can meet any one's suggestion without damage to the interests of the property, we try to do it, but the welfare of the property must be always foremost.

(Honourable Members)—Hear, hear.

Mr. POWER: While we are on that, how do you go about employing new men? Have a system of examination? We may as well discuss that while we are at it. Have you anything approaching the Civil Service Commission or anything like it as an employing Department?

Hon. Mr. DUNNING: No, you could not run a railway that way.

Mr. BOYS: The subtlety of that has not been disclosed.

Sir HENRY THORNTON: When the men are taken on they are subjected to investigation as to their moral and physical character. If they are satisfactory and we need them, we take them, and if not, we don't.

Mr. POWER: Where do you get your information in regard to their moral and physical character?

Mr. BOYS: From Members of Parliament?

Sir HENRY THORNTON: We get that through our local doctors and through our local officers who are charged with the responsibility of investigating things of that sort.

Mr. POWER: Through your local officers?

Sir HENRY THORNTON: Yes.

Mr. POWER: Have your local officers received any intimation that it is their duty to absolutely turn down any recommendations from Members of Parliament?

Sir HENRY THORNTON: They have had instructions to pay no attention at all to recommendation from anybody at all, or from any Member of Parliament.

Mr. POWER: That is just what I wanted to get. I wanted that answer. That is the fact, that they have had instructions to pay no attention to the recommendations of any Member of Parliament. That is an absolute fact?

Sir HENRY THORNTON: In this sense: we certainly do not appoint a man because he has been recommended or objected to by any Member of Parliament.

Mr. POWER: Have you refused to appoint him because he has been recommended by a Member of Parliament?

Sir HENRY THORNTON: Certainly not.

Mr. POWER: That is my experience, and I tell you quite frankly. If you want that to be understood, I would suggest that you let the public know it and we will have less trouble.

Sir HENRY THORNTON: It is always a pleasure to receive a recommendation from any man about any one.

Mr. POWER: It is not. I will tell you as a Member of Parliament, it is a nuisance.

The CHAIRMAN: I suppose you will say, Sir Henry, that you do not allow any member of Parliament to exercise any undue influence.

Sir HENRY THORNTON: No.

The CHAIRMAN: The thing goes on its merits.

Sir HENRY THORNTON: Precisely.

Mr. POWER: I would like it broadcasted that the Members of Parliament have absolutely no influence with the railway, and that on the contrary, the officials of the railway have instructions to pay no attention to their recommendations. That would save us a lot of trouble.

Sir EUGENE Fiset: How can it be broadcasted if it does not exist?

The CHAIRMAN: Does it exist?

Mr. BOYS: That is a pretty broad statement. The Members of Parliaments have a right to make recommendations as individuals.

Sir HENRY THORNTON: Certainly, Mr. Boys.

Mr. BOYS: And as such, I take it for granted that their recommendations would receive consideration of some sort, if not sympathetic.

Mr. POWER: They receive no consideration.

Sir HENRY THORNTON: We often receive recommendations from individuals who are not members of Parliament. A manufacturer, a clergyman, a doctor, anyone might write to us and we are always glad to know that someone has a good word to say for someone else, because Heaven knows, there are plenty of people who pursue the opposite policy.

The CHAIRMAN: From what Major Power says, I would gather that he intends to give the impression that any one in whose behalf a Member of Parliament interests himself, has his interests prejudiced by reason of the Member's recommendation.

Mr. POWER: That is to say, that since Sir Henry (Thornton) said that the road was out of politics, the officials instead of standing up straight on the question, are bending over backwards in order to refuse to grant any request.

Sir HENRY THORNTON: I don't think that is an accurate statement, Major.

Mr. POWER: It has been my experience.

The CHAIRMAN: I see no reason why a Member of Parliament should not, as an individual, speak to a railway official and make recommendations entirely on their merits about any certain person.

Mr. HEAPS: The average man comes to a Member of Parliament because he thinks he can exert a little undue influence, when he comes to ask for a position in the government service or on the railway. Personally, I hesitate quite a long time before I give any recommendations, and when you don't give them to the individuals, they do not come to you any more.

Mr. BOYS: This has been discussed in the House in connection with the Civil Service. It is absolutely in order for a Member of Parliament to write a letter, as an individual, on behalf of anybody, in connection with the Civil Service. It would be a sad state of affairs if a Member of Parliament, elected by their constituents, should not have this right.

Mr. NICHOLSON: Is it not true that it is not in the employment of new employees at all, that political interference would have any effect?

Sir HENRY THORNTON: There has not been any political interference, Mr. Nicholson, which has had any effect, either on employment or promotion.

Mr. NICHOLSON: I do not suggest that for a moment, but I meant in the bringing of new men into the service, it does not make any difference where you get the recommendation, so long as you get the right man; it is after he gets into the service that the officials have a free hand?

Sir HENRY THORNTON: Precisely.

Mr. POWER: From what I gather, from Mr. Nicholson's remarks, the officials of the railway would be perfectly justified in giving consideration to a recommendation made by a member of Parliament for men entering the service. You would not object to that, Sir Henry (Thornton)?

Sir HENRY THORNTON: No, I don't object to that, but we look at the recommendation as coming from an individual, and not a member of Parliament. In other words, a member of Parliament does not come to us with a rattling of sabres or something of that sort, but the recommendation comes to us from a man who has high standing in his community because his fellow citizens have elected him to represent them in Parliament.

Mr. POWER: Do you not give them a little more consideration than from a manufacturer or clergyman, because the latter are not elected, but appointed?

Sir HENRY THORNTON: No; they may be of the same moral standard. Their opinion may be just as good.

The CHAIRMAN: You would not give a job just because a member recommended a man? You would take his merits into consideration, and decide it on that basis entirely?

Sir HENRY THORNTON: Certainly.

The CHAIRMAN: Any other questions on that item? I don't know whether these questions were on that item or not. If not, we will pass on to the next. "Maintenance of Equipment," forty-seven million—

Mr. CLARK: Mr. Chairman, before you go on with that—oh, Mr. Jelliff is ahead of me.

Mr. JELLIFF: I was going to ask for an explanation of this \$65,000 in the first item, in the matter of Superintendence. Is that an increase in salaries? It is Item 201.

Mr. HENRY: Due to certain line revisions in western Canada, involving the elimination of trestles, there was a slight increase in supervision. That was special work. There were also some special investigations in regard to terminal rearrangements, which involved additional superintendence, and there were some slight account adjustments, which increased this charge.

The CHAIRMAN: In other words, what Mr. Jelliff wants to know is, was there any increase in salaries?

Mr. HENRY: No.

Mr. HEAPS: Is it not a fact that during the past few years the cost of superintendence has increased considerably, while the other operating expenses have decreased?

Sir HENRY THORNTON: That the salaries have increased?

Mr. HEAPS: No, I do not say "salaries", but the cost of superintendence has increased, while the cost of the maintenance of other departments has decreased considerably.

Sir HENRY THORNTON: No, I don't think so.

Mr. HEAPS: I have in mind the figures which were published by the Bureau of Statistics—

The CHAIRMAN: Have wages of the workmen on the road been decreased?

Sir HENRY THORNTON: No.

Mr. HEAPS: I did not mean individual wages, but in the gross, they may have?

The CHAIRMAN: There may have been a number of workmen laid off, which has not been the case in regard to the superintendence?

Sir HENRY THORNTON: That is true. We employ less men this year than last year.

Mr. BOYS: In regard to that item, how many men were employed last year as compared with this?

Sir HENRY THORNTON: In the Maintenance of Way Department itself?

Mr. BOYS: Yes; this will be interesting.

Mr. HENRY: They have gone down from 98,875 in 1924—that was all employees—to 95,785 in 1925.

Sir HENRY THORNTON: A reduction of approximately 3,000 men.

Hon. Mr. DUNNING: All employees?

Sir HENRY THORNTON: Yes. —

Mr. HEAPS: I think in the Bureau of Statistics, these are kept separately tabulated, and it shows what you might call the ratio of office with other departments.

Sir HENRY THORNTON: Broadly speaking, there are only two ways of reducing expenses on a railway; employing less men and buying less material. That is what we did, as thoroughly as we could last year.

Mr. BOYS: In this connection, is the reduction due to a policy regarding the number of men on a section, or does it result from local or individual changes here and there, and everywhere?

Sir HENRY THORNTON: The general policy, Mr. Boys, of trying to do our work with as few men as possible, having regard to the character of the work.

Mr. BOYS: You generally have a certain number of track men on a section?

Sir HENRY THORNTON: Yes.

Mr. BOYS: There are probably two or three, are there not?

Sir HENRY THORNTON: Can you answer that question, Mr. Hungerford?

Mr. HUNGERFORD: No, I cannot, in the aggregate.

Mr. BOYS: But on the section?

Mr. HUNGERFORD: It varies from section to section, and at different times of the year.

Sir HENRY THORNTON: What Mr. Boys is asking is, did we pursue last year any particular policy in reducing our section gang from, let us say, five to four?

Mr. HUNGERFORD: We have, in certain places, and have increased them in certain places, according to our best judgment, and having regard to the amount of work to be performed.

Mr. BOYS: You would not increase them when the mileage was the same?

Mr. HUNGERFORD: Sometimes. It depends on the work in sight.

Br. BOYS: I always understood that on a section of so many miles, there would be a foreman and so many men.

Mr. HUNGERFORD: That is true in a general way, but it depends upon the condition that section is in, and the amount of work to be done on it.

Mr. BOYS: You have reduced the number of section men per section?

Mr. HUNGERFORD: In a general way, we have economised to the greatest extent we could reasonably.

Mr. BOYS: I didn't ask you that. I am assuming you are trying to economize as at matter of policy. I am trying to find out whether or not you have reduced the number of section men on sections, generally speaking.

Mr. HUNGERFORD: No, I don't think we have.

Mr. COOPER: I can give you the details of the number of sections in 1925, as compared with 1924.

Mr. BOYS: We can get it that way, if we have with that the increase in mileage, if any.

Mr. COOPER: In 1924, we had 11,434 track labourers; in 1925, we had 11,509. That is an increase of 75 men.

Sir HENRY THORNTON: Practically the same.

Mr. BOYS: To make that complete, we should know the mileage.

Sir HENRY THORNTON: There was no material change in mileage.

The CHAIRMAN: How would you account for a decrease of \$1,000,000?

Sir HENRY THORNTON: I think probably it would be in less ties put in, probably less extra gangs, and things of that sort.

Sir EUGENE Fiset: Is it not a fact, Sir Henry (Thornton), that you have adopted a system, more especially in the eastern sections, where you have a standard gang which you employ, and you have reduced the number of extras, and have also employed, what you may call, "Part-time men", who were paid only for certain months of the year instead of being paid all the year round, as was done in the past.

Sir HENRY THORNTON: We have always done that, General.

Sir EUGENE Fiset: This came into effect two years ago, in 1924, as far as the eastern section is concerned.

Sir HENRY THORNTON: Can you answer General Fiset's question, Mr. Hungerford?

Mr. HUNGERFORD: That is a factor which has been a fact to a greater or lesser extent, and we have made an intensive study of all sections, and have reduced where we saw we could. In other cases, we have increased them.

Sir EUGENE Fiset: That accounts for the greater part of your saving?

Mr. HUNGERFORD: Quite.

Mr. BOYS: Has anything taken place which would enable you now to maintain a track in just as good a condition as heretofore—with fewer men?

The CHAIRMAN: The number of men is practically the same, Mr. Boys.

Mr. BOYS: I will explain definitely why I am asking this. I have heard it said on the division in which my riding is located, that the section men have been reduced on the section. Now, I want to find out if that is so, and if it is,

how it can be properly done. I also want to know whether or not the Canadian Pacific is operating the same mileage per section and with the same number of men as the Canadian National? If they are, this answers this article.

Sir HENRY THORNTON: I am not quite sure that it does answer it, Mr. Boys. To just what part of the railway are you referring?

Mr. Boys: Take the division up at Allandale—Barrie, in other words.

Sir HENRY THORNTON: I cannot remember offhand the number of men employed. Mr. Hungerford and some of his officers who are more familiar with these local details, will have to answer that question. Can you answer that question, Mr. Hungerford?

Mr. HUNGERFORD: I am in the same position, as you, Sir Henry (Thornton), as regards the minor details over the whole system, but, in a general way, we have been making an intensive study of the general requirements of each subdivision. That was done, first, by the agent, then the district officers, and then the Superintendent's Division. We have been trying to adjust the situation to maintain each section according to the physical requirements, and the amount of traffic. In some cases traffic has gone down, or has been diverted, or something of that kind, so the same standard of maintenance is not required. That, I think, is good business practice. We have adjusted the expenditure to the best of our knowledge, to the requirements of the situation. In many cases we have reduced, and hope to reduce more, and again in another case we have increased, depending upon our judgment as to what the requirements were.

Mr. Boys: Unfortunately, that information does not enable me to answer my members. When these questions are put up to me, I want to show, if I can, there has been no discrimination against men on the Canadian National as against the C.P.R.

Sir HENRY THORNTON: There has not been, excepting this—and it might as well be understood now as at any time—that if we can maintain our railway adequately, with five per cent or ten per cent less men this year than last year, we are going to do it.

The CHAIRMAN: Without reference to the C.P.R.?

Sir HENRY THORNTON: I don't care a rap what they do, as far as that is concerned, but as Mr. Hungerford has pointed out, sometimes the volume of traffic on a certain part of the railway varies, and as you know, the more traffic we have the more we have to maintain the road.

Mr. Boys: Passenger traffic is the important factor in connection with maintenance?

Sir HENRY THORNTON: You have to maintain a higher standard for high speed passenger traffic, than for slow speed traffic, but a heavy freight traffic will knock the railway down just as fast, if not faster than high speed passenger traffic. For instance, a train of fifty steel gondolas, running over a railway at 25 miles an hour, will make pretty heavy inroads on the condition of the track, perhaps more so than a high speed passenger train.

Mr. Boys: Let us take the line between Toronto and North Bay, for instance. Are your sections not about the same in extent—about the same mileage?

Sir HENRY THORNTON: As they have always been.

Mr. Boys: We have been speaking in generalities, and I am now bringing it down to something definite. Dealing with that particular line, can anyone here tell me the average length of a section, between Toronto and North Bay?

Sir HENRY THORNTON: I don't think I can answer that question offhand, but I can take a note of it, and can bring you a specific answer at the next meeting of the committee.

Mr. Boys: All right; then I will put it this way. Is there, generally speaking, a uniform average length of the sections on, I suppose we should say, the

main lines, and what might be called, branch lines, and if so, what, three or four years ago, was the number of men, including foreman, and employees on each of these sections? Generally speaking, I realize there must be a certain difference.

The CHAIRMAN: You want to get the average number for each section?

Mr. BOYS: I will not ask you to take all the sections, but give me a number. Unless I am wrong; and if I am wrong, I can be corrected now. I am told that, as a rule, the extent of the section is about the same length, and that the number of men employed to look after the traffic in those sections is the same for each section, but that there was a change recently, and the number was reduced, in the case of particular sections, which did not require the same attention, because of a policy. I am not criticising the policy for a moment to reduce the cost of maintenance in the operation of the railway.

The CHAIRMAN: I think that was answered. I think the statement was that there was no general policy, but that reductions were made to adapt themselves entirely to the needs of the road.

Mr. BOYS: I am aware of that. So that we may place it with the section I am familiar with, and in regard to which I am from time to time asked questions,—I think there are two districts (I don't know whether I know the correct numbers of them or not); one is the 13th district, and I think the other is the 11th. It is with those two districts that I am mainly concerned.

The CHAIRMAN: You would like specific information regarding the line from Toronto to North Bay, the total number of men employed as section men, and if you had the number of sections, by dividing, you would get the average. Would that answer your question?

Mr. BOYS: Yes, but it could be answered at once by saying there has been no general policy of reduction on that line.

Mr. HUNGERFORD: Over what period, Mr. Boys?

Mr. BOYS: I want a comparison with any recent reduction, and the state of affairs before there was such a reduction. I think it was within the last two years that this reduction has taken place.

Sir HENRY THORNTON: That is probably true; I think you are right.

Mr. BOYS: Then we can say 1925 as compared with 1922. That would satisfy me.

Mr. HENRY: 1923 would be easier to get.

Mr. BOYS: That is all right, as long as you take a year which goes back prior to any change in the number of men. I am not seeking to make any invidious comparisons, but you can easily understand, Sir Henry (Thornton) and gentlemen, that if a man speaks to you and says "How can the Canadian National Railway maintain so many miles of track with three men, when the Canadian Pacific has to employ four men to maintain the same mileage," it is rather hard to answer at times.

Sir HENRY THORNTON: The obvious answer, of course, is the application of superior intelligence.

Hon. Mr. DUNNING: I would be more concerned if the comparison had been made in the opposite direction.

Mr. BOYS: I have both railroads in my riding, and I want to be fair.

The CHAIRMAN: If you get that information, you will be satisfied? You are not asking for a comparison with the C.P.R.?

Mr. BOYS: Not at all. Now, there was one other question I was asked to bring up. It concerns a matter somewhat along the same line, in Nova Scotia. I just wanted, generally speaking, I think you can take any district you like in Nova Scotia.

Sir HENRY THORNTON: We know what you want, and will try to get the answer.

The CHAIRMAN: Why not designate a specific district?

Sir EUGENE Fiset: Take the county of Rimouski.

Sir HENRY THORNTON: (To Mr. Henry) Try to pick out a typical district.

The CHAIRMAN: General Clark, I believe you had a few questions to ask?

Mr. CLARK: I want to ask two or three questions in regard to Items 212 to 220. You have said there were fewer ties put in last year. Does the same thing apply to rails?

Sir HENRY THORNTON: If I did say we put in fewer ties, I was wrong. We put in 50,751 more ties this year than last year—not a large amount.

Mr. CLARK: How many ties were put in?

Sir HENRY THORNTON: 7,373,922.

Mr. CLARK: That is the cost?

Sir HENRY THORNTON: No, that is the total number of ties.

Mr. COOPER: That was in 1924, Sir Henry (Thornton).

Sir HENRY THORNTON: Oh yes, that is 1924. Wait a minute. How many did we put in last year, Mr. Cooper?

Mr. COOPER: 7,433,673.

Mr. CLARK: Can you give us the same information about the rails?

Sir HENRY THORNTON: I remember the figure, approximately. (To Mr. Henry) What was the exact tonnage of rails we put in last year? (To Mr. Clark) These are new rails we are talking about now.

Mr. ROBICHAUD: Would it be a fair question to ask how the price of ties compared in 1925 with 1924?

Sir HENRY THORNTON: The average price increased from 87.619 cents to 89.138 cents—about two cents.

Mr. HEAPS: May I ask this question? What percentage of those ties were actually purchased in Canada?

Sir HENRY THORNTON: All the ties used in Canada were purchased in Canada.

Mr. HUNGERFORD: In 1925, the total rails was 181,882 tons; in 1924—that is new rails—

Sir HENRY THORNTON: No, that is wrong. That is the total rails.

Mr. HENRY: Yes, that includes re-lays.

Sir HENRY THORNTON: (To Mr. Henry) I want the total number of tons of new rails laid in 1925 as compared with 1924. We have it here somewhere. (To Mr. Clark) I can give you the mileage right here of new rails. In 1924, we laid new rails 869.95 miles, a decrease of 285.43 miles.

Mr. CLARK: You said in 1924 you laid that?

Sir HENRY THORNTON: In 1924, 869.95 miles.

Mr. CLARK: Now, 1925.

Sir HENRY THORNTON: 584.52 miles; a decrease of 285.43.

Mr. CLARK: Now, may I point out that approximately the same number of ties were laid in 1925 as in 1924. There was a decrease in miles of rails laid of approximately thirty per cent, and the track material and ballast are practically the same for both years. Now, the cost of putting those four materials in place, in Item 220 "Track Laying and Services" increased in 1925 over 1924. Will you explain why that is the case?

Sir HENRY THORNTON: Can you answer that question, Mr. Hungerford, off-hand?

Mr. HUNGERFORD: I don't believe I quite understand the question.

Question read.

The CHAIRMAN: Do you mean it costs more for a lesser amount?

Sir HENRY THORNTON: It is pretty much the same.

Mr. CLARKE: It costs more to lay the rails for instance, 30 per cent alone.

Sir HENRY THORNTON: No, track laying and surfacing only varied practically \$29,000.

Mr. CLARK: The cost of placing those materials is about the same, but in the case of rails 30 per cent less were placed than in the year before.

Sir HENRY THORNTON: That item No. 220 would also include a considerable item for re-laid rails. That does not include the cost exclusively of putting in new material.

Mr. CLARK: Will you give us a comparison of your work in 1924 and 1925?

Mr. ROBICHAUD: I think what the General wants is the number of miles of re-laid rails.

Hon. Mr. DUNNING: Does surfacing include ballasting, Mr. Hungerford?

Mr. HUNGERFORD: If ballasting is called for.

Hon. Mr. DUNNING: There is a considerable increase in the proportion of ballast, General Clark.

Mr. CLARK: Very little I think. I would point this out that the cost of these items, ties, rails, and other track material and ballast, in 1925, was \$548,000 less than in the year before.

Hon. Mr. DUNNING: In the total of those items?

Mr. CLARK: In the total of those four items.

Hon. Mr. DUNNING: And the labour was \$29,000 higher.

Mr. CLARK: Yes. The labour is the cost of putting it down.

Hon. Mr. DUNNING: The decrease is mainly in the item on which there is the least labour. There is an increase in ballast, that is my point. Ballast involves more labour than some of the other items.

Mr. CLARK: The increase in ballast is only a matter of \$61,000.

Hon. Mr. DUNNING: What proportionately. That is the cost of the ballast itself?

Mr. CLARK: Ballast is a small item as compared with ties, for instance, which are over \$700,000,000.

Hon. Mr. DUNNING: But the labour cost involved is greater in proportion.

Sir HENRY THORNTON: Let me take each one of these items to which General Clark has referred. 212 ties. An increase of \$294,000. There was an increase in the number of ties used of 59,751, representing, translated into money \$53,000. There was a general increase in the price of ties totalling \$134,000. There was an increase in switch and bridge ties used of \$12,000. Then in connection with Firdale and the Ansley to Bickerdike division, the Ronan division and the North End co-ordination, there was spent a difference of \$31,000. All those items taken together approximate the increase and that is the explanation of the increase in ties.

With respect to rails, the decrease in the cost of tonnage laid amounted to \$1,234,000, and also a decrease due in reduction of the average price per ton from \$40.64 to \$38.53, or \$347,000.

On the other hand there was a decreased credit due to less partly worn rail lifted of \$640,000, and due to a reduction in price of partly worn rail lifted from \$25.26 to \$24.48 per ton, accounting for \$104,000. Hence there is a substantial decrease in this account due to less rail used in maintenance in 1925 as compared with 1924. The amount expended in 1925 is in excess of that appearing in the 1923 account. The expenditures to these accounts for the four years are given below:—

1922..	\$3,437,575
1923..	2,717,489
1924..	3,676,122
1925..	2,739,682

Account 216 "Other track material" on the Atlantic Division prior to January 1st, 1924, material was charged direct from invoices to operating. Commencing January, 1924, as material was reinstated, it was issued from the old

stock, which had already been charged to operating, so that very slight charges appeared in the accounts during the first months of 1924.

In the year 1925 accounts, the charges were normally increased on this account by \$60,000. The balance is due to inventory and adjustments.

Account 218, "Ballast". An increase of \$60,980 in round figures. The increase in this account is entirely due to the establishment of proper accounting practice on the Canadian Government Railways, for ballast pit operations. After the accounts had been set up, it was found necessary to charge account 218 approximately \$60,000, representing ballast used in maintenance work prior to 1925.

Account 220. Will you answer that Mr. Henry?

Mr. HENRY: Account 200 includes the labour item involved in the following operations. Applying ballast, applying ties, applying rails and applying other track materials. Track maintenance.

Mr. CLARK: Wait there. Track maintenance, what item is that?

Mr. HENRY: Track maintenance is the labour involved.

Mr. CLARK: I would suggest that you would answer these questions better if you referred to the numbers on this page 19 that this item covers. You have now given us 212, 214, 216 and 218.

Mr. HENRY: Track laying and surfacing—220. That is the one I am talking about. The items that I am speaking about now are all included in track laying and surfacing. They include the labour involved in putting the ballast under the track.

Mr. CLARK: What I want is item No. 218.

Mr. HENRY: Item No. 218. "Applying ties". Item 212. "Applying rails", Item 214. "Applying other track materials" Item 216.

Mr. CLARK: Any others?

Mr. HENRY: No, now in addition to the labour involved in applying those materials there is the cost of labour expended in aligning, surfacing, gauging and shimming tracks and tightening track bolts and track spikes; in restoring rails, ties and ballast in the case of washouts, derailments and wrecks, and in taking up tracks. So that the reason for the variation, for the discrepancy if you like, in that particular item in 1924, or the apparent disparity in 1925 as compared with 1924 is due to the fact that there was other labour involved in the application of the materials entered under those material accounts.

Mr. CLARK: Do you suggest that in 1924 the item of \$11,443,000 did not take into account these extras that you refer to now?

Mr. HENRY: It did, but not to the same extent.

Mr. CLARK: You had more washouts in that year?

Mr. HENRY: Not washouts, but more work on gauging and lining.

Mr. CLARK: "Gauging and lining." That does not mean much to me.

Sir HENRY THORNTON: It is hard to explain, but "gauging" is restoring the track to its proper gauge. From time to time the tendency of the track is to spread through the action of the traffic. Gauging is restoring the gauge of the track, the distance between the inside heads of the rails, to the proper distance. That is sometimes done by re-spiking; that is drawing the spike into the flange of the rail so as to decrease the distance. Sometimes it means completely pulling the spikes and re-driving them. That is what we call gauging.

Re-line means to attempt to restore the track to a perfectly straight line on tangents or to a correct degree of curvature on curves. Again, the tendency of the track under traffic is to get out of line on a straight line, or to depart from a regular degree of curvature on curves, and all of that has to be restored by the work of the section men. That is what we call re-lining. Now what was the other item?

Mr. CLARK: Perhaps you could give us the comparative cost of doing that work in 1924 and 1925.

Mr. HENRY: That would involve some work and could not be answered offhand.

Mr. HEAPS: Is not that necessarily a varying quantity each year? An uncertain quantity?

Mr. HENRY: Yes, it is.

Sir HENRY THORNTON: It depends a great deal on circumstances.

Hon. Mr. DUNNING: Would not the car mileage have a relation to that? There is a tremendous increase in your car mileage.

Sir HENRY THORNTON: Unquestionably the more traffic that comes over the line the more expense there is to maintain it. You can put up a track in perfect condition and if you have no traffic over it, ordinarily speaking, it will stay there. A good deal depends on the character of the spring; alternate freezing and thawing heaves the roadbed and necessitates re-gauging, re-lining, re-spikeing and shimming.

Mr. HEAPS: Could you say whether there was very much more laying of old rails in 1925 than in 1924?

Mr. HENRY: Only six miles.

The CHAIRMAN: That would not account for the difference.

Hon. Mr. DUNNING: You had about 80,000,000 car miles. That is shown on page 31. That is the gross transportation service which aggregates all the previous car mileage. You had a total of 80,000,000 car miles. That surely has a bearing on your labour and cost of maintenance.

Mr. HENRY: Unquestionably that is true. If you analyse it from that standpoint, we figure that probably the extra cost due to traffic was in the vicinity of \$500,000.

Mr. CLARK: As I understand it, what Mr. Dunning refers to is included in the items 202, railway maintenance.

Mr. HENRY: Only part of it.

Sir HENRY THORNTON: It is practically an impossible thing for any one who is not familiar with the technique of the railway industry—and by that I mean no criticism—to sit here and analyze and determine whether or not the railway has been extravagantly or economically maintained, or inadequately maintained. The test comes from riding over the railway, inspecting it and examining it from year to year, to see whether it has been properly maintained or not. It would be quite impossible for me to furnish evidence here which would demonstrate unquestionably any such proposition. The only way we could get at it would be for this Committee to make a trip over the railway.

Hon. MEMBER: Hear, hear.

Sir HENRY THORNTON: And examine the whole of the railway, and decide for themselves. Of course, the object of the management is to maintain the railway just as cheaply as traffic conditions warrant. It is just as much a mistake to spend too much money on a railway as it is to spend too little, and that is one of the things which railway officers are paid for. They are paid to determine, from their technical knowledge, how much money should be spent on a railway to adequately and economically maintain it.

Mr. CLARK: I appreciate all that Sir Henry, and I do not want to go into the technical aspects of it. All I am pointing out is this: here is an account which shows that for the same services in 1925 as in 1924 there was an increased cost; and items 212 to 218 show that the services performed were very considerably less in 1925 than in 1924. Mr. Henry suggests that there was some extra work done that is not indicated in any of those items. I appreciate that, but if that is the case then I suggest that details of that extra work could be given, and a comparison of the cost in 1925 with that of 1924 should be given. Otherwise I am left with the impression that in the case of ties approximately the same work was done. In the case of rails 30 per cent less work was done,

in other track materials and ballast approximately the same work was done, and yet an increased cost. All I am suggesting is that that is the impression left on my mind unless further details can be given.

The CHAIRMAN: Perhaps if the management will look into that, they can make a more detailed explanation.

Sir HENRY THORNTON: I do not know that we can get very concise figures, but we can get an explanation which will make it perfectly clear to the General, and we will do that.

The CHAIRMAN: Evidently you cannot do that this morning.

Mr. JELLIFF: Is not branch line construction included in this?

Sir HENRY THORNTON: No, that is under construction.

Sir EUGENE FISKE: May I ask whether the details we are examining at the present time, which comprise the expenses of last year, will come up again after we are through with this report of last year, when we are dealing with the items for 1926-27?

The CHAIRMAN: They can, but I think it would be as well to discuss them now if there is anything in connection with last year.

Sir EUGENE FISKE: Would it not be advisable as you are going on taking the items up in detail, to give what amount is proposed to be provided for the year following? Would not that save time?

Hon. Mr. DUNNING: Would it not make it too complicated?

Sir EUGENE FISKE: Well, we have to come to the estimates again, shall we?

Hon. Mr. DUNNING: I am afraid we will have to. I am not looking forward to it with much pleasure.

Sir EUGENE FISKE: Then why not give here the amount to be provided for this year? That would include the whole work, the general amount.

Mr. BELL: But these amounts are paid out from the earnings of the road.

Sir EUGENE FISKE: I am talking about the headings provided in the estimates. It seems to me that as you are going on you should give the amount provided the year 1926-27.

The CHAIRMAN: I do not think the estimates would include all these detailed expenditures.

Sir EUGENE FISKE: They would include these headings?

Mr. BELL: No, they do not include these headings. The operating cost is found from the earnings of the road.

Sir EUGENE FISKE: Should not that state that the following amount is provided in the estimates?

Mr. POWER: The General would be satisfied if another year we had three columns showing the amounts of the year 1924, the amount for 1925 and the amount that will be required for 1926-27, in this report that we have before us.

The CHAIRMAN: But your estimates cannot possibly deal with the expenditures which are financed out of the earnings of the road? Is that not right?

Sir HENRY THORNTON: Yes, and furthermore, we try to watch our expenses month by month so closely as we can.

Hon. Mr. DUNNING: You make no estimate as a matter of appropriation, that you are going to spend so much on ballast, at the beginning of the year.

Sir HENRY THORNTON: Yes, we have to do that. And in the matter of ties, Mr. Dunning, that would be subject to revision in any one month according to circumstances.

The CHAIRMAN: They would submit one set of estimates and you would have yours.

Hon. Mr. DUNNING: It would not show. Mine deal with the expenditures for which money is raised.

The CHAIRMAN: Exactly. These are financed out of the proceeds of the operation of the road.

Sir HENRY THORNTON: Every railway on the North American continent varies or is apt to vary its budget month by month, depending on the volume of the traffic and its requirements, and the trend of business.

Mr. JELLIFF: You cannot tell in advance what may happen to your road.

Sir HENRY THORNTON: Assuming a reasonable crop I know pretty well what our net will be for this year.

The CHAIRMAN: But your estimates would deal only with the internal management of the business itself. The Minister's estimates will deal entirely with other things that the government has to provide.

Hon. Mr. DUNNING: Entirely with the amounts provided in the estimates, or by the government guarantee.

The CHAIRMAN: Any further questions on that item of maintenance of way and structures?

Mr. POWER: Yes, I would like to know all about ties. I will start in by asking what kind of ties you buy.

Sir HENRY THORNTON: Mr. R. C. Vaughan will answer your question.

Mr. VAUGHAN: We buy our ties all over the country. Hundreds are bought by tie contracts. We buy them in the district which will mean the shortest haul to where they are to be used.

Mr. POWER: What kind of ties do you buy?

Mr. VAUGHAN: We buy all kinds; hardwood, jackpine, tamarack, hemlock.

Mr. POWER: Have you any policy with regard to the kind of lumber to be used?

Mr. VAUGHAN: We have in the sense that we know that certain kinds are suitable for certain work. We know for example that cedar ties are not good on heavy traffic, they are too soft.

Mr. POWER: Are you buying any cedar ties?

Mr. VAUGHAN: Yes, we are, but we confined them to branch lines where the traffic is light.

Mr. POWER: Where do you place your hardwood ties?

Mr. VAUGHAN: We buy our hardwood ties from a great many people. All hardwood ties are treated. They go to the treating plant and are treated there and they are used largely for mainline work.

Mr. POWER: Are all the hardwood ties treated?

Mr. VAUGHAN: Yes.

Mr. POWER: Do you treat softwood ties too?

Mr. VAUGHAN: We treat some softwood ties in districts where hardwood ties cannot be obtained.

Mr. POWER: Generally speaking, do you find that the treatment of ties prolongs their life and if so by how much?

Mr. VAUGHAN: We find that generally speaking it nearly doubles their life.

Mr. POWER: Where have you situated your treating plants?

Mr. VAUGHAN: We have no treating plants whatever of our own. We make contracts with companies in that business who treat the ties.

Mr. POWER: With what companies have you contracts?

Mr. VAUGHAN: We have contracts at the present time with the Canada Creosoting Company, Ltd. They have plants at Truro, N.S., and Newcastle, and at Delson, Montreal. And they have a plant at Trenton, Ontario. And they have a plant at Edmonton.

Sir EUGENE Fiset: Do you buy the ties after treatment or before?

Mr. VAUGHAN: We buy the ties and then pay so much per tie for treatment.

Sir EUGENE Fiset: What kind of hardwood are these ties?

Mr. VAUGHAN: Birch, maple, beech.

Mr. ROBICHAUD: What does it cost to treat a tie?

Mr. VAUGHAN: In different districts the cost is different. Probably from 60 to 85 cents a tie. That includes the oil, cost of treatment, handling, peeling, and cost of handling out of the yard.

Mr. POWER: The handling is at your expense?

Mr. VAUGHAN: Yes.

Mr. POWER: From the point where the ties are delivered from the railway to the plant, and the return from the plant to where they are to be utilized.

Mr. VAUGHAN: Yes, that is all at our expense.

Mr. POWER: And that runs from how much? 20 to 40 cents a tie did you say?

Mr. VAUGHAN: Perhaps I have not got you right there Major Power. I am not just sure. Do you mean the rail charges?

Mr. POWER: How much do the ties cost you for handling them, that is for taking them from the contractor who sells you the ties, to the plant, where they are treated, and returning them to the place where they are utilized?

Mr. VAUGHAN: I cannot tell you that because the ties are all moved "O.C.S." from where they are moved to the plant and out again, there is no charge goes on those ties.

Sir HENRY THORNTON: It would follow that the length of haul might be more in one case and in another less.

Mr. POWER: Who decided on the situation of these treating plants? Was it the railway or the contractor?

Mr. VAUGHAN: It was the railways largely.

Mr. POWER: And you came to that decision basing yourselves largely on the fact that you did not care to haul the ties any great distance I suppose.

Mr. VAUGHAN: That was a reason. We arranged with them to put up plants in places where the best kind of timber was available, which would mean the shortest haul by the railway to those plants, and where the ties were going to be required.

Sir HENRY THORNTON: Having regard to all the circumstances, we decided where the treating was to be done.

Mr. POWER: I gather from Mr. Vaughan's answers that there is only one company in that business in Canada.

Mr. VAUGHAN: There are two companies. The other company is Calders Limited. That is an Old Country firm. They have a plant at Sioux Lookout. That is between Port Arthur and Winnipeg.

Mr. POWER: Is that the only plant they have?

Mr. VAUGHAN: Yes, that is the only plant they have.

Mr. POWER: And the other company has how many?

Mr. VAUGHAN: They have a plant at Edmonton; one at Transecona. We do not treat ties at all these points. We may occasionally send some ties in there and we may not. They have one at Edmonton, and Transecona, and Sudbury. They treat entirely C.P.R. and they have one at Trenton where they treat C.P.R. ties and our own. They have one at Delson Junction. We have no contract with them there, although they treat ties occasionally, and we have a contract with them at Newcastle, N.W., and Truro, N.S.

Mr. POWER: What is the nature of that contract?

Mr. VAUGHAN: The contract provides that we pay them so much per tie for treating the ties; that is for taking them off the cars, stacking them in the yard until they season, putting them through their retorts and taking them out again and stacking them if necessary, and loading them on the cars.

Mr. POWER: Then roughly how much do you pay?

Mr. VAUGHAN: At the different plants, it varies from 18 to 23 cents a tie.

Mr. POWER: What kind of contracts have you got?

Mr. VAUGHAN: At some plants, the plants at Truro, Newcastle and Edmonton, are ten year contracts, renewable under certain conditions, if arrangements satisfactory to both parties can be made.

Mr. POWER: And at Edmonton?

Mr. VAUGHAN: Truro, Newcastle and Edmonton, and the contract at Sioux Lookout is the same kind of contract.

Mr. POWER: May I ask if you have made any arrangement to permit these plants, or these companies to finance themselves? Have you guaranteed their bonds, or advanced them any money?

Mr. VAUGHAN: No, we have not advanced them any money in any shape, manner or form.

Mr. POWER: How are these contracts given? By tender?

Mr. VAUGHAN: No, they were not given by tender in a general sense, because when we came to the conclusion it was desirable to treat these, there was only one concern in the country treating ties, that was the Canadian Creosoting Company. Then Calders came over. They were an Old Country firm and have had a good deal of experience, and we gave them a contract for doing similar work.

Mr. POWER: Is it not a fact that Calders and the Canadian Creosoting are the same company?

Mr. VAUGHAN: I don't think they are.

Sir HENRY THORNTON: I know Calder myself pretty well, and I don't think there is any connection between the two.

Mr. BELL (Deputy Minister): I know positively they are not.

The CHAIRMAN: Gentlemen, it is nearly one o'clock,—

Mr. CLARK: Were there any ties purchased in the United States for use in Canada?

Mr. VAUGHAN: There were a few ties, General Clark. There were some purchases on our own main line—they came off our own main line in the State of Minnesota. They went up to the Hudson Bay line. There were about 50,000 or 60,000 ties. They were used ties. That was the nearest point at which we could obtain them.

Mr. POWER: Have you a general policy as to purchasing all Canadian goods?

Mr. VAUGHAN: We have absolutely, and in placing our orders for cars, we always specify Canadian wood.

Mr. POWER: How closely is that policy adhered to? Can you give the committee roughly, the percentage of Canadian wood used in all your work, and the percentage of foreign wood?

Mr. VAUGHAN: Generally speaking, I would say nearly all Canadian wood is used, with the exception of perhaps some mahogany in our first-class sleeping cars.

Mr. CLARK: Have you any creosoting done in Vancouver by the Vancouver Creosoting Company?

Mr. VAUGHAN: No; we have none. We have no ties treated west of Edmonton.

Mr. CLARK: So if you need ties for use on the western sections, you haul them from east of Edmonton?

Mr. VAUGHAN: We don't send any.

Mr. CLARK: There is no necessity for treating ties?

Mr. VAUGHAN: There is no necessity to this extent, because we get good ties there, and ties are cheaper there, and the cost of renewal is a big factor in the treatment of ties.

Sir HENRY THORNTON: There comes a point, General, when the cost of ties necessitates their treatment.

Mr. POWER: This policy of treating ties is one put into force within the last two or three years, as I understand it?

Mr. CLARK: Could you give us the approximate cost per tie, in the extreme western sections, say from Vancouver to Kamloops?

Mr. VAUGHAN: You mean the tie without being treated?

Mr. CLARK: Yes.

Mr. VAUGHAN: The ties vary in price. Going to Vancouver Island we get ties for about forty-five cents. If we go to the vicinity of Vancouver, I am speaking now about the largest ties—we may buy them for sixty cents. The highest price we paid for any ties in British Columbia last year was sixty-seven cents.

The CHAIRMAN: Gentlemen, it is one o'clock.

Mr. POWER: Before we leave that; it has been suggested that I ask a question. How can the settler in eastern or western Canada go about it if he wants to sell ties to the Canadian National Railways?

Mr. VAUGHAN: All he has to do is to communicate with our general tie agent, or the regional tie agent.

Mr. POWER: Who only wants 50,000 or 60,000 ties at a crack, so he does not want them from Mr. John Jones—

Mr. VAUGHAN: You mean a man wants to sell 50,000 or 60,000 ties—

Mr. POWER: I say the general tie agent only wants to buy 50,000 or 60,000 ties at a time, so the individual settler—

Mr. VAUGHAN: All he has to do is to communicate with our regional tie agent, who will take his ties. We never refused to take ties from settlers. There are a great many settlers who won't sell us ties, for the simple reason that the big contractors have grub-staked them, and advanced them money, and we cannot buy them.

Mr. ROBICHAUD: Do you pay the settler anywhere near the price the contractor is receiving?

Mr. VAUGHAN: Well, we don't always pay the settler as much. Sometimes the settler loads the ties, where a contractor does not, but we also have considerable inspection of the ties from the settlers, which we do not have from the contractors.

Mr. ROBICHAUD: My experience is that it is very difficult for a settler to sell his ties.

Sir HENRY THORNTON: I think I am safe in saying that any settler who wants to get out ties, in conformity with our specifications, can always find a market for them.

Mr. POWER: There is a general complaint that that cannot be done.

Sir HENRY THORNTON: That complaint is not justified one little bit, because we have many times gone out of our way and gone to a great deal of trouble to take ties from settlers simply to help them out, when perhaps it was a little to our disadvantage to do it. That complaint is not justified.

Mr. VAUGHAN: We have scores and scores of arrangements with settlers where we take ties direct. There may be times when a settler comes along with ties, when we cannot take them at that particular moment, but we would take them three months hence, but we take them whenever we can.

Mr. POWER: I wish we could broadcast that last statement of Sir Henry (Thornton), that you are willing at all times to take settlers' ties at the market price. Is that a fair statement?

Mr. VAUGHAN: Yes.

Sir HENRY THORNTON: Yes.

Mr. POWER: And the settler, in order to do business with the railway, has only to write to the regional tie agent of that particular division?

Mr. VAUGHAN: That is right.

Mr. ROBICHAUD: My experience tells me differently.

Mr. VAUGHAN: There may be individual cases that don't come to our attention.

Mr. ROBICHAUD: Can we come back to this question later?

The CHAIRMAN: If we do not complete it to-day, we can come back again.

The Committee adjourned until Tuesday, June 8th, at 10.30 a.m.

SESSION 1926
HOUSE OF COMMONS

SELECT STANDING COMMITTEE

ON

RAILWAYS AND SHIPPING

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 7—JUNE 8, 1926

WITNESSES:

- Mr. S. J. Hungerford, Vice-President, Operation and Construction Department, C.N.R.
Mr. R. C. Vaughn, Vice-President, Purchasing and Stores Department, C.N.R.
Mr. J. E. Dalrymple, Vice-President, Traffic and Express Department, C.N.R.
Mr. R. A. C. Henry, Director, Bureau of Economics (Executive Branch) C.N.R.
Mr. C. B. Brown, Operation and Construction Department, C.N.R.
Mr. T. H. Cooper, General Auditor, Finance Department, C.N.R.
Mr. C. Manning, Department of Insurance, Lands, Telegraphs, Development, etc.

ORDER OF REFERENCE

HOUSE OF COMMONS,

WEDNESDAY, May 19, 1926.

Resolved,—That Rule 10 of the House of Commons relating to the appointment of the Select Standing Committees of the House be amended by adding to the Select Standing Committees of the House for the present session a Select Standing Committee on Railways and Shipping owned, operated and controlled by the Government, to which will be referred the estimates of the Canadian National Railways and the Canadian Merchant Marine for the present session, for consideration and for report to the House, provided, however, that nothing in this resolution shall be construed to curtail in any way the full right of discussion in Committee of Supply; and that the said Committee consist of Messrs. Bell (St. Antoine), Boys, Campbell, Clark, Drayton, Dunning, Euler, Fiset, Harris, Heaps, Jelliff, Jones Johnston, Power and Robichaud.

Attest.

ARTHUR BEAUCHESNE,

Clerk of the House.

REPORTS

HOUSE OF COMMONS,
WEDNESDAY, May 26, 1926.

First Report: Mr. Euler, from the Select Standing Committee on Railways and Shipping owned, operated and controlled by the Government, presented the First Report of the said Committee, which is as follows:—

Your Committee recommends that its minutes of proceedings and evidence be printed from day to day for the use of the members of the committee and of the House and that Rule 74 be suspended in reference thereto.

Second Report: Mr. Euler, from the Select Standing Committee on Railways and Shipping owned, operated and controlled by the Government, presented the Second Report of the said Committee, which is as follows:—

Your Committee recommends that it be granted leave to sit while the House is in session.

Concurrence: On motion of Mr. Euler, the First and Second Reports of the Select Standing Committee on Railways and Shipping owned, operated and controlled by the Government, were concurred in.

FRIDAY, May 28, 1926.

Third Report: Mr. Euler, from the Select Standing Committee on Railways and Shipping owned, operated and controlled by the Government, presented the Third Report of the said Committee, which is as follows:—

The attention of your Committee having been drawn to the omission of the interim supply voted by Parliament during the present Session, of any part of Items 372 and 373, of the Estimates 1926-27 respecting loans to the Canadian National Railway and the Canadian Government Merchant Marine, Limited;

Your Committee therefore recommends that Parliament grant as interim supply the sum of \$10,000,000 of the said Item 372 and the sum of \$200,000 of the said Item 373.

MINUTES OF PROCEEDINGS

TUESDAY, June 8, 1926.

The Select Standing Committee on National Railways and Shipping was called to order at 10.40 a.m., Mr. Euler, the Chairman, presiding. The following Members of the Committee were present:—

Messieurs: Bell (St. Antoine), Clark, Drayton (Sir Henry), Dunning, Euler, Fiset (Sir Eugene), Harris, Heaps, Jelliff, Jones, Johnston (Long Lake), Power and Robichaud.

Mr. Hungerford, Mr. Dalrymple and Mr. Vaughan, Vice-Presidents of the C.N.R.; Mr. Henry, Mr. Brown, Mr. Cooper, Mr. Manning, with numerous other officials of the C.N.R. Staff, were in attendance. Also, Major Bell, Deputy Minister of Railways, representing the Department.

Railway Operating Revenues, Railway Operating Expenses, Maintenance of Way and Structures, Maintenance of Equipment and Traffic Expenses were taken up again and considered more fully. Mr. Henry presented statements, covering in detail above headings and other matters, which were read into the record, as follows:—

1. Analysis of 1925 Operating Expenses as compared with 1924.
2. Traffic.
3. Transportation.
4. Miscellaneous.
5. General.
6. Transportation for Investment Cr.
7. Statement of Timber Trestles in existence at December 31, 1925.
8. Statement of Regular Maintenance of Way Forces, authorized 1923.
9. Statement of Regular Maintenance of Way Forces, authorized 1925.
10. Statement of Regular Maintenance of Way Forces, authorized 1926.

Discussion followed on all the above matters, and questions by Mr. Clark and Mr. Harris requiring further information to be furnished was left until the next meeting.

It being one o'clock the Committee adjourned to meet again to-morrow, Wednesday, at 10.30 a.m.

E. L. MORRIS,
Clerk of the Committee.

MINUTES OF EVIDENCE

TUESDAY, June 8, 1926.

The Select Standing Committee on National Railways and Shipping met at 10.30 a.m., Mr. Euler, the Chairman, presiding.

The CHAIRMAN: Well, gentlemen, we have quorum, and we may as well proceed. When the Committee rose on Friday last, we were discussing railway operating expenses, under the heading of "Maintenance of Way and Structures." Sir Henry Thornton is unable to be here this morning, but Mr. Henry has prepared a statement explaining in a general way the increases and decreases in operating expenses. If you care to hear it, I think we might probably save time. Mr. Henry will give a very brief and concise statement, after which you can base your questions upon it, if you desire. Does the Committee desire to hear this statement which has been prepared by Mr. Henry?

Hon. MEMBERS: Carried.

The CHAIRMAN: Mr. Henry, you might as well go on.

Mr. HENRY: Mr. Chairman, and gentlemen: (Reads):

"ANALYSIS OF 1925 OPERATING EXPENSES AS COMPARED WITH 1924

The operating Expenses of the Canadian National Railways as defined by the accounting rules of the Dominion Bureau of Statistics are divided into 148 primary expense accounts, which are grouped under six main heads with self descriptive titles:—

Maintenance of Way and Structures
Maintenance of Equipment
Traffic
Transportation
Miscellaneous
General

The comparison of expenses under these heads for the years 1924 and 1925 follows:—

	1925	1924	Increase or Decrease
	\$	\$	\$
Maintenance of Way and Structures.....	43,006,813 70	44,039,965 51	Dec. 1,033,151 81
Maintenance of Equipment.....	47,902,092 16	47,972,444 24	Dec. 70,352 08
Traffic.....	6,726,472 90	6,892,751 22	Dec. 166,278 32
Transportation.....	106,477,437 08	110,085,033 62	Dec. 3,607,596 54
Miscellaneous.....	2,253,050 54	2,381,469 56	Dec. 128,419 02
General.....	7,223,773 87	7,633,834 05	Dec. 410,060 18
Transp. for Investment Cr.....	Dec. 882,852 43	Dec. 661,567 13	Dec. 221,285 30
Total.....	212,706,787 82	218,343,931 07	Dec. 5,637,143 25

These expenses may be further divided between Employees' Compensation and other expenses, and the comparison on this basis follows:—

SELECT STANDING COMMITTEE

EMPLOYEES' COMPENSATION WAGES

	1925	1924	Increase or Decrease
	\$	\$	\$
Maintenance of Way and Structures.....	23,953,621	23,540,289	Inc. 413,332
Maintenance of Equipment.....	26,940,701	26,731,192	209,509
Traffic.....	3,006,004	2,917,219	88,785
Transportation.....	67,270,451	67,486,810	Dec. 216,359
Miscellaneous.....	1,161,850	1,227,817	Dec. 65,967
General.....	4,864,646	5,312,690	Dec. 448,044
Total.....	127,197,273	127,216,017	Dec. 18,744

MATERIAL AND MISCELLANEOUS

	1925	1924	Increase or Decrease
	\$	\$	\$
Maintenance of Way and Structures.....	19,053,193	20,499,677	Dec. 1,446,484
Maintenance of Equipment.....	20,961,392	21,241,253	Dec. 279,861
Traffic.....	3,720,468	3,975,532	Dec. 255,064
Transportation.....	39,206,986	42,598,223	Dec. 3,391,237
Miscellaneous.....	1,091,200	1,153,652	Dec. 62,452
General.....	2,359,128	2,321,144	Inc. 37,984
Transp. for Investment Cr.....	882,852	661,567	Inc. 221,285
Total.....	85,509,515	91,127,914	Dec. 5,618,399

The expenses under each general account may be further analyzed into the primary accounts which are to be found in detail in the annual report. Some of the larger factors affecting the differences exhibited therein are discussed below by general accounts.

Maintenance of Way and Structures

As a preliminary to the discussion of this account, it can be emphatically stated that, notwithstanding the reduction in expense, the properties were not only maintained in good physical condition, but generally speaking, material improvements were made.

Careful analysis of the expenses of many railways shows that under uniform price, wages, and weather conditions, Maintenance of Way and Structures varies with traffic to the extent of 34 per cent. From this point of view since traffic increased on the average 4.3 per cent, measured regionally by revenues, an increase of \$621,000 might have been expected. In addition there was an increase in the average mileage operated of 71 miles, the fixed maintenance of which would amount to \$92,000. As compared with this, there was an actual decrease of \$1,033,000 so that a more favourable showing of \$1,746,000 resulted.

The reduction in expense is due to increased efficiency in the use of materials and labour, a lesser price paid for materials, less materials applied, slightly more favourable weather conditions and fewer accidents. The decreases due to these causes are partially offset by increases in rates of pay, a decreased credit from the Wabash and C.P.R. Joint Sections and changes in accountancy arising out of changed conditions.

The effect of these factors is summarized below:—

Changes due to price.		
Ties.....	\$ 134,000	
Rails (net).....	347,000	
Other materials.....	1,000	
		\$ 214,000
Changes due to variation in quantities of material applied.		
Ties.....	53,000	
Rails (net).....	400,000	
		437,000
Changes due to weather (Removing snow, ice and sand).....		19,000
Accidents.....		137,000
Net increase in wages due to changes in rates of pay and working conditions.....		305,000
Less Credit Wabash & C.P.R. Joint Sections.....		103,000
Accountancy.....	\$	
Difference in assessing Superintendence between Capital and Maintenance.....	16,000	
Charges to Ballast acct. for work done prior to 1925.....	60,000	
		76,000
Balance of reduction in Actual Expense.....		710,000
		1,033,000

After bringing the accounts for the two years to as nearly a comparable basis as possible, it is seen that there was a decrease of \$710,000, whereas, based on the increase in traffic and additional mileage, an increase of \$713,000 might have been expected.

Maintenance of Equipment

The condition of Equipment at December 31st, 1925, as compared with December 31, 1924, shows an appreciable improvement.

	Serviceable 1925	Serviceable 1924	Improve- ment
	%	%	%
Freight Cars.....	92.8	91.2	1.6
Locomotives.....	82.7	78.1	4.6

Maintenance of Equipment has been found to vary with traffic, other conditions being uniform, on the average to the extent of 70 per cent. An increase of expense under this head might therefore have been expected amounting to \$1,411,000. There was an actual decrease in the account of \$70,000 so that a more favourable showing of \$1,481,000 resulted.

Factors entering into the comparison of the accounts are: Decrease due to lower prices of material, fewer accidents and operation of reserves. On the other hand there were increases due to increased rates of pay and changes in accountancy.

The CHAIRMAN: Did you say there were increased rates of pay?

Mr. HENRY: Yes sir. Very slight.

The CHAIRMAN: To the men?

Mr. HENRY: Yes, a very small amount.

Decrease due to lower prices.....	25,000
Decrease due to fewer accidents.....	105,000

Hon. Mr. DUNNING: What do you mean by that, Mr. Henry?

Mr. HENRY: If you will recall. Mr. Chairman, in 1923, there were certain reserves set up. There happened to be a balance to the credit of those reserves, which were utilized during the past year. That had the effect of cutting down the expense charged to this account.

Decrease due to operation of reserves—

Equipt reserves drawn down in 1924.....	\$ 617,205 94	
Equipt reserves drawn down in 1925.....	1,095,893 10	
	<u>\$478,687 16</u>	
Equipt suspense drawn down in 1925.....	216,892 06	
		\$ 696,000

Accountancy.

Stores and mechanical payroll previously charged to general expenses.....	219,000
Increases due to changes in rates of pay.....	61,000
Other Increases in expense.....	476,000
	<u>\$ 70,000</u>

From this it is seen that after bringing these accounts in the two years to as nearly as possible a comparable basis, there was an increase of \$476,000 as compared with an allowable increase of \$1,411,000 based on the increased traffic.

Traffic
The traffic expense of a railway, viewed in the large, is an advertising expense. It cannot be said to vary with the volume of traffic.—rather it tends to increase as traffic falls off. The expenses under this head are only a small percentage of total operating expenses, amounting to 3.1 per cent in 1925.

In 1925 there was a reduction of \$166,278 as compared with 1924, made up of:

Increased payment to employees.....	\$ 89,000
Decreased material and miscellaneous.....	255,000

Accounts showing considerable variation with last years are:—

Acct. No.			
352	Outside Agencies.....	38,000	{ Due to Accountancy. { Less advertising done. { Broadcasts increased from 675 { to 1150. Additional train { installation. { Increased staff.
353	Advertising.....	209,000	
353	Radio.....	122,000	
356	British Empire Exposition.....	166,000	
356	Colonization, Agr., and Natl. Resources.....	57,000	
359	Other Expenses.....	45,000	

Transportation

This group of accounts covers the expense of caring for and transporting the company's traffic. Transportation expense by careful analysis has been found, other factors remaining uniform, to vary with traffic to the extent of 85 per cent. On this basis as a consequence of the average increase in traffic of 4.3 per cent, the expenses might have been expected to increase \$3,589,000 over 1924. Actually there was a decrease of \$3,607,000 resulting in a more favourable showing of \$7,196,000.

The decreased expense is due to marked increased operating efficiency, decreased prices of coal and other materials, decreased consumption of fuel and fewer accidents, partially offset by increased expense due to higher rates of pay and certain changes in accountancy.

Summarized these are as follows:—

Reductions due to prices—		
Fuel.....	\$ 1,508,000	
Other materials.....	141,000	
	<u>\$ 1,649,000</u>	
Reduction due to less fuel.....	807,000	
Reduction due to fewer accidents.....	448,000	
Increase due to change in rates of pay.....	132,000	
Accountancy—		
Car accountants previously charged to general expenses.....	265,000	
Balance of reduction in actual expense.....	1,100,000	
	<u>\$ 3,607,000</u>	

From this it is seen, that after bringing the accounts in the two years to as nearly a comparable basis as possible, there was a decrease of \$1,100,000

whereas based on the increase in traffic, an increase of \$3,589,000 might have been expected.

Miscellaneous

This group of expenses is made up of various miscellaneous items among others Dining and Buffet Service, Restaurants, Grain Elevators. The general account amounts to 1 per cent of total expenses.

There was a decrease in both Employees' Compensation and Material and Miscellaneous as follows:—

Employees' Compensation decrease.....	\$ 66,000
Material and Miscellaneous.....	62,000

These decreases are explained by accountancy changes and a change of policy with regard to Station Restaurants.

Accountancy Changes—

Reduction due to charging time of Buffet employees to transportation.....	\$ 81,000
Increase due to charging to this account Victoria Bridge toll collectors.....	16,000
	<hr/> \$ 65,000
Reduction due to all restaurants now being operated by Canada Railway News Co.....	55,000

General

This account covers the pay and expenses of general officers and their staffs and incidental expenses. It also covers legal expenses and pensions. This general account amounts to 3.4 per cent of all operating expenses.

There was a reduction from 1924 expense of \$410,000 made up of—

Decrease in Employees' Compensation.....	\$ 448,000
Increase in Material and Miscellaneous.....	38,000

Accounts showing considerable variation with last year's figures are as follows:—

Account 452 Salaries of Clerks and Attendants.

Accountancy—

Charging stores and mechanical account to Maintenance of Equipment	\$ 219,000
Charging Chief of Car Accounts to Transportation.....	265,000
	<hr/> \$ 484,000
Reduction in staff of Account Department.....	77,000

Account 453 General Office Supplies and Expenses—

Accountancy—

Distribution of telegraph expenses to other accounts.....	\$ 89,000
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Account 457 Pensions—

178 increased pensions.....	\$ 99,000
I.C.R. and P.E.I. Provident Fund exhausted, and railway having to implement same.....	46,000
	<hr/> 145,000

Account 458 Stationery and Printing—

General decrease in stationery supplies.....	59,000
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Transportation for Investment Cr.

This account covers the cost of transportation in connection with construction material which is included in the general transportation account. The increased credit of \$221,285 is due to greater ton mileage of construction supplies in 1925 than 1924 brought about by increased Branch Line construction chiefly in Western Canada."

The CHAIRMAN: The foregoing is a general statement, which should be valuable for the purposes of the record. Are there any questions to be asked, or do you desire to go on with the examination of the details of the accounts?

Mr. HEAPS: There is one question arising out of these accounts. I think Mr. Henry missed an item of over \$400,000 for Workmen's Compensation. Is that correct?

Mr. HENRY: No, that is compensation to employees; that is increases in wages.

The CHAIRMAN: We are again at page 18.

Mr. JELLIFF: Under the heading Miscellaneous Operations, page 22, did Mr. Henry give a statement of the expenses of those miscellaneous operations? I do not think there is anything given in the report.

Mr. HENRY: Yes, I gave that.

The CHAIRMAN: It will be in the record. We are still on Maintenance of Way and Structures, unless we completed it the last day. Have we any further questions on that point?

Mr. CLARK: Were there not some unanswered questions, Mr. Chairman?

The CHAIRMAN: Are you able to answer the questions General Clark asked on Friday, Mr. Henry?

Mr. HENRY: Yes. If I understood General Clark's questions rightly, he desired an explanation of the reason why the Material Account, the labour involved, or rather the material accounts, namely, Ties, Rails, Ballast, and other track materials showed only a small increase or an actual decrease.

Mr. CLARK: Showed an actual decrease of \$540,000?

Mr. HENRY: Taking it on the whole, why was it that surfacing, etc., did not show a corresponding decrease?

Mr. CLARK: Whereas it shows an actual increase.

Mr. HENRY: Whereas it shows an annual increase of \$68,000. Well now, the Track Laying and Surfacing Account includes all the labour involved 12 months of the year, looking after those rails, ballast, and other track material; in other words, the whole of that portion of the roadway that lies above the sub-grade. The actual application of the materials usually takes place only six months of the year, between, say April and October, but as a matter of fact, it represents only about 46 per cent of the total labour, so that the net decrease in labour which you might expect, due to the application of a similar quantity of material, was about \$201,000, rails, which might have been expected to show an increase, \$237,000, ties, an increase of \$15,000; other track material an increase of about \$21,000. On the basis of the increased traffic and the increased care which that traffic might have been expected to involve, the balance of the track laying and surfacing might have been expected to show an increase in expenses, of \$322,000; in other words, the 56 per cent of the labour involved in the care of tracks for the 12 months of the year, not involving the actual placing of material, ought to have shown an increase; it actually showed an increase of \$28,000.

Mr. CLARK: How do you argue or suggest that caring for less material would have shown an increased cost?

Mr. HENRY: It is not caring for less material; it is caring for everything that is above sub-grade, all the ballast, all the ties, and all the rails. The actual replacing of the rails or ties represents, as I say, only 46 per cent of the expenditures included in this item.

Mr. CLARK: I heard that, but why should caring for less material last year have shown an increase over caring for the material the year before?

Mr. HENRY: It is the tracks; it is the whole track structure.

Mr. CLARK: Why should there be an increase in 1925?

Mr. HENRY: Due to increased traffic. If you had no traffic at all, you would require no ballasting, no shimming, no surfacing, and no lining. The fact that you had an increase in traffic means that, if you are taking care of that traffic as you ought to, you might expect an increase in cost.

Mr. CLARK: Do not the section men look after the track?

Mr. HENRY: The section men's time is divided into two accounts, Roadway and Maintenance, which involves the maintenance of everything else,

exclusive of structures, of course, that is below the sub-grade; that is, the ditches, and the fences, cleaning up and so on, but the labour involved in keeping the ballast, the rails, the ties, and the other track material in proper shape, comes under track laying and surfacing.

Mr. CLARK: Item 220 represents labour almost exclusively?

Mr. HENRY: There is nothing else in it but labour.

Mr. CLARK: Am I correct in saying that traffic actually decreased during the first six months of the year?

Mr. HENRY: I think there was a slight decrease.

Mr. CLARK: Can you give us a comparison of the cost under 220, for the first six months of 1925, as against the first six months of 1924?

Mr. HENRY: I cannot give it to you offhand, but I will have it worked out for you.

Mr. CLARK: It is not clear to me yet—

Mr. HENRY: There is only \$28,000 in the whole account.

Mr. CLARK: But there is a marked decrease in this 46 per cent, a decrease in cost of material of over half a million dollars.

Mr. HENRY: There is an increase of \$144,000 in the rates of pay.

Mr. CLARK: When did that come into effect?

Mr. HENRY: I think it was last May; it was during the summer.

Mr. CLARK: Does that apply to all classes of labour?

Mr. HENRY: No; that only applied to certain sections, and it involved an increase in compensation of all classes, of about two cents an hour, although it actually only applied to certain classes.

Mr. CLARK: It applied to the classes who do the work under 220?

Mr. HENRY: Those that do the work under 220—all the labour in maintaining the roadway either comes under 220, or Roadway and Maintenance, which is 202.

Sir EUGENE Fiset: In that 46 per cent, do you include your permanent staff of track men?

Mr. HENRY: The 46 per cent includes both the permanent staff and any extra gangs which may be employed.

Sir EUGENE Fiset: And that is where the increase in salary took place, in the permanent staff more than anything else?

Mr. HENRY: I cannot answer that offhand.

Mr. BELL (St. Antoine): I was going to ask Mr. Henry a question. According to the map, the Hudson Bay Railway is part of the Canadian National System. There have been varying reports as to the condition of the roadbed. Could you give a general statement on that?

Mr. HENRY: I will ask Mr. Hungerford to answer that.

Mr. CLARK: Before we get away from this item, there is one more question I would like to ask regarding 220, under Rails. Where are your rails purchased?

Mr. HENRY: The rails are purchased from the Dominion Iron and Steel Company, and the Algoma Company.

Mr. CLARK: Are they all purchased in Canada?

Mr. HENRY: All rails required for use in Canada are purchased in Canada.

Mr. CLARK: From these two companies?

Mr. HENRY: From these two companies.

Mr. CLARK: How do the prices compare with prices in the United States?

Mr. VAUGHAN: The prices are a little higher, but not higher than the duty. There is a duty of about \$7.40 per gross ton on rails from the United States. The price we pay is about \$3 above the price of the rails in the States.

Mr. CLARK: And about \$4 less than the price for American rails plus the tariff?

Mr. VAUGHAN: Yes. There is something further taken into consideration there. We have to haul these Sydney rails a long distance, whereas the rails coming from Buffalo—the distance is much less.

The CHAIRMAN: I do not wish to interfere with your questions, Mr. Bell, but I do not think the Hudson Bay estimates are before this committee.

Mr. HUNGERFORD: What was your question, Mr. Bell?

Mr. BELL (St. Antoine): Discussing this item of Maintenance, I was asking regarding the condition of the Hudson Bay as it is built. It is shown on the map here from Hudson Bay Junction to Pikwitonel, and there are various reports as to its condition, that these rails and one thing and another will have to be torn up and built over. Is that a fact, or is it not?

Mr. HUNGERFORD: There has been no train service to the end of steel for several years. The portion next to The Pas, which is the beginning of the Hudson Bay Railway—the southern end—is in fairly good condition, but as you go further on, there has been less tie renewal, and less work on it, so at the extremity it is pretty well gone. It has sloughed down to some extent due to what the effect of weather.

Mr. BELL: But it is in such shape that it will have to be built over again?

Mr. HUNGERFORD: It would have to be pretty well re-tied, and there would have to be a lot of ballasting done to bring up the surface again.

Mr. BELL: What do you estimate it would cost to put it in shape?

Mr. HUNGERFORD: I think the Minister of Railway—

The CHAIRMAN: I think when it comes to the vote on that, the Minister will explain that matter. I do not know as it comes properly before this committee.

Mr. BELL: I do not want to infringe in any way; it is not a question of bringing in the Hudson Bay, but it is to find out if the estimates covered the maintenance of the Hudson Bay line, and keeping it as far as it is built, in shape, or is that a different item entirely?

Hon. Mr. DUNNING: It is a different item entirely.

Mr. HEAPS: One gentleman stated the other day that some ties were sent to the Hudson Bay.

The CHAIRMAN: It does not come under this item of Maintenance of Way and Structures?

Mr. HUNGERFORD: No.

Mr. POWER: Is the Hudson Bay Railway a part of the Canadian National?

The CHAIRMAN: It is not.

Hon. Mr. DUNNING: It is only for operation.

Mr. BELL (Deputy Minister of Railways): There is a separate item of \$3,000,000 that will come up in the House.

Sir HENRY DRAYTON: I understand it is not even in operation.

Hon. Mr. DUNNING: It is being operated.

Sir HENRY DRAYTON: I understand there was objection on the part of the railway to having it considered as part of the system, on the ground that they would be charged with the deficit, but they were willing to operate it as an agent for the government, but that its account should be kept separate.

Hon. Mr. DUNNING: In the same manner, Sir Henry (Drayton) as all the portions of the government railway, like the Canadian Northern, the Grand Trunk, the Intercolonial, the Prince Edward Island Railway, etc., are all in the system.

Mr. BELL (Deputy Minister): At the present time the National Railways are reconditioning the operating of the Hudson Bay, and keeping separate accounts altogether.

Sir HENRY DRAYTON: Is it not different from the rest, when you are keeping separate charges for the government. Is it not true that Sir Henry Thornton—

The CHAIRMAN: Sir Henry (Drayton), I do not think this estimate comes within the purview of this committee.

Sir HENRY DRAYTON: Why not?

The CHAIRMAN: They are not referred to this committee.

Mr. HEAPS: Does not this committee consider the operations of all subsidiary companies?

The CHAIRMAN: All we have to do is to take the Order of References. We are to consider the estimates for the National Railways and Shipping, and I do not think the estimates for the Hudson Bay are included in that.

Mr. BELL (St. Antoine): I understood Mr. Hungerford to say they were.

Mr. HUNGERFORD: No.

Hon. Mr. DUNNING: I have no objection to this committee threshing out the Hudson Bay, but it is not in the particular part of the estimates referred to this committee—\$31,000,000 Canadian National, and \$600,000, Canadian Merchant Marine. These are loans to the Canadian National Railway, or a guarantee of their bonds. The same with the Merchant Marine. The other item is a separate item entirely, and was not referred to the committee. I have no objection to the committee discussing it, but it will have to be thoroughly discussed in the House.

Mr. POWER: The point is, if we discuss it now we cannot refer to it in the discussions in the House.

Hon. Mr. DUNNING: The whole point is that I think the House will thoroughly discuss the Hudson Bay when the question comes up, and if it had been referred to this committee it could not have been discussed until this committee reported, and would have been in the same position as these other items. But not having been referred to this committee, the House is in position to discuss it at any time when the estimates for the Department of Railways and Canals are before the House.

Mr. BELL (St. Antoine): The point I wanted to make was this: is there anything in the estimates which we are passing now in connection with the Hudson Bay Railway?

Hon. Mr. DUNNING: No.

The CHAIRMAN: That being the case, we cannot properly refer to it.

Sir HENRY DRAYTON: I suppose somewhere or other, we have accounts here that are reflected in the Hudson Bay?

The CHAIRMAN: I asked Mr. Hungerford about that. There was some question in connection with the Maintenance of Way and Structures. The whole thing will be threshed out in the House.

Sir HENRY DRAYTON: But I would like to find out about that letter. Mr. Henry, do you know whether such a letter was written?

Mr. HENRY: I do not know.

Hon. Mr. DUNNING: I can say I have never received such a letter.

Sir HENRY DRAYTON: The letter was written.

Mr. BELL (St. Antoine): May I ask one question of Hon. Mr. Dunning: In your estimate for completion of the Hudson Bay Railway, that is, the completion from the last point—is it for that portion, or for the whole Hudson Bay line?

Hon. Mr. DUNNING: I intend to tell the House specifically what this \$3,000,000 is for when the question comes up.

The CHAIRMAN: Are we not rather out of order in this gentlemen? We have nothing to do with this estimate.

Mr. BELL (St. Antoine): I do not mean to be out of order. We cannot come back to this after it is out of committee.

The CHAIRMAN: No, but as the Minister explains now, the estimates for the Hudson Bay Railway are not included in the estimates referred to us at all. He will deal with that himself; he has to deal with that in the House.

Hon. Mr. DUNNING: I did not want this committee to take any action which would prejudice a discussion in the House prior to the report of this committee. I feel sure the whole House will want to deal with it, and had it been referred to this committee, the House would have been barred.

Mr. BELL (St. Antoine): In other words, the Maintenance Items which we are discussing have nothing to do with the Hudson Bay Railway?

The CHAIRMAN: That is it. Are you through with discussing the Maintenance of Way and Structures?

Sir EUGENE Fiset: In the statement just given by Mr. Henry he referred to the Pension Fund for the Canadian National Railway. If I understand well, there is a Retirement Fund provided especially for the Intercolonial Railway which is administered by the Department of Railways and Canals.

Mr. BELL (Deputy Minister): No, administered by the Railway. The funds of the Prince Edward Island and the Intercolonial are administered by the railway. Of course, certain papers have to come here—as the Minister explained the other night in the House—which might be signed by the Minister, or myself as his Deputy, but the actual details of running the fund are carried out by the management.

Sir EUGENE Fiset: What I want to know is this, is it the intention to absorb this fund in the general books—

Mr. BELL (Deputy Minister): It has not been settled yet.

Hon. Mr. DUNNING: There is nothing to be absorbed, except insofar as absorbing a liability may be said to be absorption.

Sir EUGENE Fiset: This policy has not been settled yet?

Mr. BELL (Deputy Minister): No.

The CHAIRMAN: I have an explanation to make here. Mr. Hungerford says that there is an item of \$160,000 for the Hudson Bay Railway maintenance, which is to be used in case the estimate of \$3,000,000 should not be passed.

Sir HENRY DRAYTON: Suppose we let that stand.

The CHAIRMAN: I wanted to make that explanation, so there would be no suppression of facts.

Mr. HARRIS: What particular item are we discussing?

The CHAIRMAN: We are back to page 18, Maintenance of Way and Structures.

Mr. HARRIS: From 209 to 279?

The CHAIRMAN: That is right; the details are on page 19.

Mr. HARRIS: I wanted to ask a question with regard to Item 241: Wharves and Docks. I notice a considerable decrease for the year 1925, and the explanation is rather vague as to why this decrease occurred. I would like to ask: is part of this decrease due to the fact that the Public Works Department are constructing wharves here and there which are in part serving the Canadian National Railway?

Mr. HENRY: No, not to any great extent. The reason for the decrease is that in 1924 there were some very heavy repairs required on certain wharves, which were not required in 1925. That is the reason.

Mr. HARRIS: I would like to ask a particular question with regard to one location. Have there been any negotiations for a railway wharf at Sydney. Is there any intention of extending the railway around Victoria Park at Sydney to the foundry site where the Public Works Department are now contemplating building a wharf, in order to avoid the necessity of the Canadian National Railways providing wharfage facilities?

Mr. HUNGERFORD: There has been an agitation for years and years for the extension of the dock facilities at Sydney, but there is no definite endeavour, that I know of, to complete it.

Mr. HARRIS: Will you say there is no negotiation pending at the moment, with regard to the Canadian National Railway facilities at Sydney?

Mr. HUNGERFORD: Not so far as I am aware.

Mr. BELL (Deputy Minister): There are negotiations pending. At the moment, the Public Works Department have an item in the estimates for \$75,000 for a wharf to be located some distance from where the old wharf of the Intercolonial was. We have had that in the departmental estimates, and we took it up with the department, and with the Railway, suggesting that they get in communication with the Public Works, with the object of getting some idea as to what they are to do. I have sent the letter from the Public Works Department down to the President at Montreal, but probably it has not reached Mr. Hungerford as yet.

Mr. HUNGERFORD: No, it has not.

Mr. HARRIS: Mr. Chairman, I would like to ask another question. "Right of Way" shows, as I understand, what the management has to do with disposing of property adjoining the right of way.

Mr. HENRY: That is correct, yes.

Mr. HARRIS: During the last few years, when so much co-ordination has been going on, you have had very considerable blocks of property adjoining the right of way, to dispose of. Where, in the balance sheet, do we find the revenue received from the sale of those different properties?

Mr. COOPER: The ledger value would be credited to the property account.

Mr. HARRIS: Where would the balance go?

Mr. COOPER: To Profit and Loss.

Mr. HARRIS: Under what item?

Mr. COOPER: 603.

Mr. HARRIS: Page 22?

Mr. COOPER: Page 16; Account 603.

Mr. HARRIS: What is the policy of the Railway Company with reference to these sales of land? How do they make the sales? Do they advertise them, or call for tenders, or does the Director of the road who lives nearest to that particular piece of property have the sale in his own hands?

Mr. HUNGERFORD: In some cases tenders are called for, but generally speaking, it is by private negotiation, and the offers which are received are sub-

mitted to the Board of Directors for consideration, if the amount involved is over \$5,000; if it is less than \$5,000 the legal Vice-President or myself have authority to close the sale.

MR. HARRIS: I understand the offers are presented to the Board of Directors?

MR. HUNGERFORD: Yes, if the amount is over \$5,000.

MR. HARRIS: Are there any cases where the directors submitted the offers?

MR. HUNGERFORD: I don't know of any, I have never heard of it.

MR. BELL (Deputy Minister): The officer having to do with that—the Right of Way and Lease agent—would report on the property as to what the value was, and it would be approved by Mr. Hungerford, and then he passed on to the Board for approval. In no case does a director have anything to do with it until it comes before the Board.

MR. HARRIS: I would not like to take issue with you, Major Bell, but as a matter of fact there are cases where the directors do have something to do with it, before the sale is consummated.

MR. BELL (Deputy Minister): I don't know of a case.

MR. HARRIS: I do. Mr. Chairman, are we in order in discussing here a sale which has been consummated and finished?

THE CHAIRMAN: Would that come under the heading of Maintenance of Way and Structures? We are discussing that just now.

MR. HARRIS: All right, I will wait until we get to the Profit and Loss account.

THE CHAIRMAN: Is there anything more on this particular item?

SIR HENRY DRAYTON: I was going to ask about our trestle work. I think about two years ago we had about 90 miles—

MR. HARRIS: Something like that.

SIR HENRY DRAYTON: And then it dropped five miles, down to 85 miles.

MR. HENRY: Something like that.

SIR HENRY DRAYTON: What have we now?

MR. HENRY: At December 31, 1925, 468,890 lineal feet of trestles. There were replaced—

SIR HENRY DRAYTON: Give us that in miles.

THE CHAIRMAN: Divide it by 5,280.

SIR HENRY DRAYTON: It will be much easier to figure.

MR. HENRY: There were replaced in 1925, 166 trestles, or approximately six miles—5½ miles; 30,480 lineal feet.

SIR HENRY DRAYTON: That leaves approximately 80 miles?

MR. HENRY: About that.

SIR HENRY DRAYTON: And what was the cost of looking after what you did last year?

MR. HENRY: The cost of replacing timber bridges and trestles during 1925 was \$1,514,000, of which \$693,549 was charged to Capital, and \$306,965 charged to Operating Expenses and Maintenance of Way.

SIR HENRY DRAYTON: How do you get at that? Do you take your book cost for trestle work?

MR. COOPER: The original cost of the trestle required would be charged to Operating Expenses.

SIR HENRY DRAYTON: I am asking how you get it. Do you take the original cost, and book charges for this trestle work?

Mr. COOPER: If you have the original cost, yes; if not, you estimate it.

Sir HENRY DRAYTON: Have you not the original cost?

Mr. COOPER: Not in all cases.

Sir HENRY DRAYTON: What rate do you allow per running foot?

Mr. BROWN: It depends altogether on the trestle, Sir Henry (Drayton).

Sir HENRY DRAYTON: You take your figures per running foot?

Mr. BROWN: It would vary in every one of the trestles, and also as to the character of the trestles, whether it is a branch line trestle, or a main line trestle. We have to take the estimate for each one of them.

Sir HENRY DRAYTON: You find the original estimate for each one?

Mr. BROWN: And we have to make an estimate where we have not the original cost.

Sir HENRY DRAYTON: What is this; what are we getting into?

Mr. BROWN: They are replaced by concrete culverts of various kinds, and fills in some cases, steel bridges and concrete structures.

Sir HENRY DRAYTON: You will remember that we had a discussion two years ago as to the life of these wooden structures, and we came to the conclusion that some were very short, but the idea seemed to be that the average would be about twelve years. Am I right in that?

Mr. BROWN: Yes, Sir Henry.

Sir HENRY DRAYTON: How near are we to that twelve years' duration?

Mr. BROWN: Each year we rebuild certain portions, not all, of some of the older trestles, in addition to what we are replacing by permanent work.

Sir HENRY DRAYTON: You are patching them up in the meantime?

Mr. BROWN: Absolutely. We are not patching, we are retaining them.

Sir HENRY DRAYTON: The construction still goes on?

Mr. BROWN: Yes, of course.

Sir HENRY DRAYTON: There is a certain life to wooden trestles?

Mr. BROWN: Yes, Sir Henry.

Sir HENRY DRAYTON: That life you put before at about twelve years?

Mr. BROWN: Yes.

Sir HENRY DRAYTON: I suppose you have more light on the subject now. How near are we getting to the end of that life?

Mr. HENRY: I have a statement showing the age of all trestles in existence, as at December 31st, 1925, which I will put in.

SELECT STANDING COMMITTEE

CANADIAN NATIONAL RAILWAYS
Statement of timber trestles in existence at December 31st, 1925

Year Constructed or Renewed	Number	Length in feet
1911 and earlier	1,116	100,478
1912	206	34,438
1913	410	57,758
1914	233	40,305
1915	154	17,300
1916	142	12,614
Built, or in existence on lines required..... 1917	416	30,652
1918	131	9,506
1919	180	17,053
1920	184	16,706
1921	217	28,668
1922	217	26,180
1923	266	24,684
1924	264	24,320
1925	305	28,223
Total in existence at December 31st, 1925.....	4,441	468,880 lin. feet 88.64 miles
Replaced in 1925.....	166	30,480 lin. feet

Cost of replacing timber bridges and trestles during 1925.

Amount charged to Capital

Amount charged to Maintenance

Total

\$693,549.80

\$306,964.96

\$1,000,514.76

Office Chief Engineer Operation.

Montreal, May 31st, 1926.

The CHAIRMAN: Are you through with that for the moment, Sir Henry?

Sir HENRY DRAYTON: Will you let me see it?

Mr. HARRIS: As to the costs of these structures, is it capitalized, or what portion is capitalized?

Mr. HENRY: I did not get that question, Mr. Harris.

Mr. HARRIS: I asked was the cost of these structures capitalized, or what portion of it was capitalized?

Mr. HENRY: In 1925 the amount expended on the replacing of trestles was \$1,000,514; the amount charged to maintenance was \$306,964 and the amount charged to capital was \$693,549.

Mr. HARRIS: How do you arrive at that, Mr. Cooper?

Mr. COOPER: We take the cost of a trestle which is retired, the cost of the structure, which is to be retired, and we charge that to Operating Expenses; the cost of the new structure of course would go back to the Property Account, to the extent that the old trestle could be used in substitution for a temporary trestle which you would have to build if you did not have the old trestle there, you are entitled to charge that cost to the Property Account, and reduce the cost chargeable to Operating Expenses.

Mr. HARRIS: I do not quite see that. As I understand it, in that item \$306,000 was charged to Capital, and \$700,000 capitalized.

Mr. HENRY: That is correct.

Mr. HARRIS: It seems to me that we are pyramiding the capital cost of that particular portion of the road.

Mr. COOPER: That is a standard practice, Mr. Harris. We better our operating conditions. We do not require to do any large amount of work when we put a permanent work in, replacing a trestle either by a bridge or a trestle by a trestle and a bridge, or a culvert, as the case may be.

Sir HENRY DRAYTON: As a matter of book-keeping, under the Interstate Commerce Commission rules now, the company has a right to charge to Capital

what would be the difference in cost between the property retired and the property put in. There is of course, always one difficulty about that, and that is the length of time; the property is killed by over-capitalization, or by a little too generous treatment in charges to capital. That was the trouble with the old Grand Trunk, Mr. Henry. You will recollect that, after having gone through the arbitration. In 1925 we built 305 new wooden trestles, did we not?

Mr. HENRY: Well, I think that is partly explained, Sir Henry, by this: There are a good many trestles whose life expired, and they were built and rebuilt in kind. Just how many of those 305 represented the rebuilding of trestles which were in existence, I am not prepared to say, but I think a number of them were. It is economical to rebuild in kind, under certain conditions.

Sir HENRY DRAYTON: With lumber at present prices, as against a fill?

Mr. HENRY: You would have to analyse each condition, analyse it and find out which would be the cheapest to do.

Sir HENRY DRAYTON: That is the explanation for a lot of these wooden trestles?

Mr. HENRY: Yes.

Sir HENRY DRAYTON: You say, built or in existence. Does that go back to the original construction?

Mr. COOPER: In some cases.

Sir HENRY DRAYTON: Take it in general, in the year 1920.

Mr. COOPER: In that case, we had 184 trestles in 1920, that were in existence at the time we acquired the line.

Mr. BROWN: On the lines acquired, we had endeavoured to put down the date the bridge was originally built.

Sir HENRY DRAYTON: The original construction?

Mr. BROWN: Yes.

Sir HENRY DRAYTON: Have you made a calculation, Mr. Brown, as to what it would cost to put this length of timber trestles into a permanent way, because you will have to do it sooner or later.

Mr. BROWN: No, I have not; not a recent one.

Sir HENRY DRAYTON: Is it always mounting, or is construction going down.

Mr. BROWN: We feel that it is coming down some.

Sir HENRY DRAYTON: But is it?

Mr. BROWN: I might add this note to what Mr. Henry has said, that any timber line constructed last year on new branch lines, we had a number of new bridges that came into the Operating department, built under new branch line construction.

Sir HENRY DRAYTON: I should think that all these things should be out of here, because it is a regular thing which is done with all new construction. My suggestion is that we should in fairness do this, that this schedule should be revised, taking out of that schedule a number of wooden trestles that have been put in on the new branch lines; that is, the original first construction, without a doubt.

Hon. Mr. DUNNING: You have no distinction there, have you, Mr. Henry?

Mr. HENRY: No, sir.

Sir HENRY DRAYTON: It is unfair to the system, to have it in this way, because what we are looking at is the total bill ahead of us, and to look at the whole work which has to be renewed. You are perfectly right in putting in the new construction.

Mr. BROWN: I see what you are after, Sir Henry, but at the same time we are endeavouring to keep track of all the wooden bridges coming into the branch lines.

Sir HENRY DRAYTON: There is no disuse of them until ten years have gone by?

Mr. HENRY: So many were built prior to 1911, so many were built in 1912 and so on.

Sir HENRY DRAYTON: Have you any statement worked out by the engineering department, as to how long this will take.

Mr. HENRY: Each year the trestles are gone over, and those trestles which require attention are either put on the programme for replacement in kind, or for replacement by permanent work.

Mr. BROWN: Or repairs?

Mr. HENRY: Or repairs, as the case may be.

Mr. HUNGERFORD: Each case is investigated.

Sir HENRY DRAYTON: What is the total bill we have to go up? You made a statement on that about two years ago, did you not?

Mr. BROWN: It was about thirty millions.

Sir HENRY DRAYTON: Would it be all right to take off that thirty millions now? What we did last year or the year before was to take off so much; what was it the year before?

Mr. BROWN: About the same.

Sir HENRY DRAYTON: We are now down to a reconstruction of about eight millions, when it is completed?

Mr. HENRY: That would be upon the assumption that we would, as a matter of fact, replace all those trestles with permanent work. It may not be possible to do that in all cases. A great many of them will be replaced in kind, because it is more economical to do it that way.

The CHAIRMAN: Mr. Heaps, you were going to ask a question?

Mr. HEAPS: I was going to say that at the last meeting, we had certain questions asked which were not answered this morning.

The CHAIRMAN: Mr. Clark had one.

Mr. HEAPS: Was that as to the sectionmen?

The CHAIRMAN: That was by Mr. Boys.

Mr. HENRY: Mr. Boys is not here, but I have here a statement of the regular maintenance-of-way forces, authorized in 1923, 1925 and 1926, which I will put in if desired.

Mr. HEAPS: Can you put it on the record to-day, so that we will have it?

The CHAIRMAN: Put it in, and Mr. Boys can get his information from that; if it is not clear he can ask questions afterwards.

CANADIAN NATIONAL RAILWAYS

Statement of Regular Maintenance of Way Forces, authorized 1923

Subdivision	Mileage	No. of Sections	Force		Average length of Section	Average man per Section	Miles per man Summer.
			Summer	Winter			
Newmarket\Toronto to	57.75	12	66	53	4.81	5.50	0.87
Huntsville } North Bay...	168.20	33	187	148	5.10	5.66	0.90
Milton.....	85.25	16	64	54	5.33	4.00	1.33
Meaford.....	55.75	10	38	33	5.15	3.80	1.36
Penetang.....	32.75	6	25	21	5.46	4.16	1.31
Alliston.....	40.00	7	20	14	5.71	2.85	2.00
Wyebridge.....	8.90	2	8	6	4.45	4.00	1.11
Total Allandale Divn....	448.60	86	408	329	5.04	4.28	1.27
Mulgrave.....	122.35	23	122	104	5.32	5.30	1.00
Oxford.....	67.60	11	56	35	6.14	5.09	1.21
Sunnybrae.....	12.50	2	8	6	6.25	4.00	1.56
Sydney.....	101.80	19	105	86	5.36	5.52	0.97
St. Peters.....	25.50	3	9	9	8.50	3.00	2.83
Thorburn.....	5.95	1	4	4	5.95	4.00	1.69
Total New Glasgow Division.....	335.70	59	304	244	6.25	4.48	1.54

Office of Chief Engineer, Operation,
Montreal, June 7th, 1926.

CANADIAN NATIONAL RAILWAYS

Statement of Regular Maintenance of Way Forces, authorized 1925

Subdivision	Mileage	No. of Sections	Force		Average length of Section	Average man per Section	Miles per man Summer.
			Summer	Winter			
Newmarket\Toronto to	57.75	12	66	53	4.81	5.50	0.87
Huntsville } North Bay...	168.20	33	187	148	5.10	5.66	0.90
Milton.....	85.25	16	64	54	5.33	4.00	1.33
Meaford.....	51.42	8	32	27	6.43	4.00	1.60
Penetang.....	33.44	5	22	18	6.69	4.04	1.52
Alliston.....	40.50	6	19	13	6.75	3.16	2.13
Wyebridge.....	8.90	1	5	4	8.90	5.00	1.78
Total Allandale Division	445.46	81	395	317	6.28	4.47	1.44
Mulgrave.....	122.43	23	125	105	5.32	5.43	0.98
Oxford.....	67.52	11	56	35	6.14	5.09	1.20
Sunnybrae.....	12.48	2	8	6	6.24	4.00	1.56
Sydney.....	101.85	19	105	86	5.36	5.52	0.97
St. Peters.....	25.51	3	12	6	8.50	4.00	2.13
Thorburn.....	5.79	1	4	4	5.79	4.00	1.45
Total New Glasgow Div.	335.58	59	310	242	6.22	4.67	1.38

Office of Chief Engineer, Operation,
Montreal, June 7th, 1926.

CANADIAN NATIONAL RAILWAYS

Statement of Regular Maintenance of Way Forces, authorized 1926

Subdivision	Mileage	No. of Sections	Force		Average length of Section	Average man per Section	Miles per man Summer.
			Summer	Winter			
Newmarket (Toronto to	56.36	9	54	45	6.26	6.00	1.04
Huntsville } North Bay...	164.63	26	160	131	6.32	6.15	1.19
Milton.....	84.48	12	51	44	7.04	4.25	1.65
Meaford.....	51.42	8	32	27	6.43	4.00	1.60
Penetang.....	33.44	5	22	18	6.69	4.04	1.52
Alliston.....	40.50	6	19	13	6.75	3.16	2.13
Wyebridge.....	8.90	1	5	4	8.90	5.00	1.78
Total Allandale Division.	439.73	67	343	282	6.70	4.65	1.56
Mulgrave.....	122.43	33	125	105	5.32	5.43	0.98
Oxford.....	67.52	11	56	35	6.14	5.09	1.20
Sunnybrae.....	13.48	2	8	6	6.24	4.00	1.56
Sydney.....	101.85	19	105	86	5.36	5.52	0.97
St. Peters.....	25.51	3	12	6	8.50	4.00	2.13
Thorburn.....	5.79	1	4	6	5.79	4.00	1.45
Total New Glasgow Divn	335.58	59	310	242	6.22	4.67	1.38

Office of Chief Engineer, Operation,
Montreal, June 7th, 1926.

The CHAIRMAN: Are there any other questions on "Maintenance of Way and Structures"? If not, the next is "Maintenance of Equipment," page 20.

Sir HENRY DRAYTON: There was the question of reserves.

Mr. HENRY: Yes, there are a few reserves there.

Sir HENRY DRAYTON: That is something we can no longer rejoice in. At one time we had reserves amounting to four and a quarter millions.

Mr. HENRY: Yes, four and a quarter millions.

The CHAIRMAN: What does that item amount to now?

Mr. COOPER: Nothing.

Mr. HENRY: It has been written out entirely.

The CHAIRMAN: Are we through with "Maintenance of Equipment"?

Mr. ROBICHAUD: Before we pass on, I would like to know how the price of those ties was arrived at?

The CHAIRMAN: That takes us back again to "Maintenance of Way and Structures," does it not?

Mr. ROBICHAUD: Yes, item No. 212. I want to know how the prices of ties were arrived at, especially for the eastern section, whether by tender, whether the lowest price was accepted, and whether it was made good.

Mr. DALRYMPLE: Tenders were advertised for. As a rule the tenders were too high. When that is the case, we fix a price which we think is fair to pay, and give everybody who is high the same price, and the other fellow who tenders at a low price, we take his offer.

Mr. ROBICHAUD: Were ties purchased at a lower rate that year than the previous year.

Mr. DALRYMPLE: A little lower.

Mr. ROBICHAUD: Was a large quantity purchased?

Mr. DALRYMPLE: The quantity was considerably smaller last year.

Mr. ROBICHAUD: How does it come about that the item has increased?

Mr. DALRYMPLE: Do you mean the entire item? There may have been more ties purchased than were put in.

Mr. COOPER: There is no direct relationship between the tenders and the purchase; there is no direct relationship between the number of ties purchased and those put in.

The CHAIRMAN: We will pass on to the item of "Traffic."

Mr. HARRIS: I should like to refer to item 320, "Motor Equipment of Cars—repairs." I see that those repairs jumped 300 per cent during the last twelve months. Would one of the officers enlarge upon that particular item?

The CHAIRMAN: Do you understand that, Mr. Henry?

Mr. HENRY: That is due, Mr. Harris, to the fact that the National Railways have been endeavouring to utilize unit car operation to a considerable extent. The number of unit cars has been increased gradually during the last few years, and it so happened that in 1925 we had more of those cars, they were older, and consequently they required a larger amount of repairs than they did in the previous year.

Mr. HARRIS: Does the depreciation take care of those cars? I notice depreciation under the same item is practically nil.

Mr. HENRY: The policy of the company is, to accrue depreciation on the equipment on those United States lines, but no depreciation is accrued in Canada. Any renewals are taken care of as required and charged direct to the Operating Account.

Mr. HARRIS: Is this motor equipment largely in Canada?

Mr. HENRY: Yes. We have a few in the United States.

Mr. HUNGERFORD: There is only one unit in the United States.

Mr. HARRIS: Last year we had quite a discussion on the merits and demerits of the Railway System going into the greater use of motor equipment, rather than steam, particularly on small branch lines. What report have you upon that now? I think it will be in order, Mr. Chairman, to hear that now, because we might not get another chance at it.

The CHAIRMAN: Can Mr. Hungerford tell us about that?

Mr. HUNGERFORD: Yes, last year, we introduced Diesel electric type of motor coach, and also added to the number of gasoline propelled cars. I am not sure of the exact number of units we introduced during the year, but there were nine of the Diesel electric type. There was an addition of 13 units all-told during the year 1925.

The CHAIRMAN: Where are those placed chiefly, in Ontario?

Mr. HUNGERFORD: They are scattered all over the country, Mr. Chairman.

Mr. HARRIS: The most successful unit so far is the electric?

Mr. HUNGERFORD: In point of economy of operation, yes.

Mr. HARRIS: Speaking generally, what would you say?

Mr. HUNGERFORD: Speaking generally, I think the Diesel electric represents the most successful type of motor coach that we have yet developed.

The CHAIRMAN: Have you developed it to the point where you are satisfied with it?

Mr. DALRYMPLE: Not exactly, Mr. Chairman. Of course everything mechanical is susceptible to improvement.

The CHAIRMAN: But reasonably so?

Mr. HUNGERFORD: Yes, they have been satisfactory. We have had some troubles of an incidental character, but that is to be expected in a new mechanical thing like that.

The CHAIRMAN: Generally speaking, it has been satisfactory?

Mr. HUNGERFORD: Yes. The results have been very satisfactory indeed.

Mr. HARRIS: What are you going to do during the coming year, working along that line?

Mr. HUNGERFORD: We are going to make certain improvements in that class of motor.

The CHAIRMAN: Do they carry a trailer?

Mr. HUNGERFORD: Yes, depending upon the amount of traffic, the grade, and the size of car. On the Diesel electric, there are seven small cars sixty feet long, that were not intended to haul trailers, but as a matter of fact, they are practically all hauling trailers today in the service. No doubt, the cars will be about 80 per cent more powerful than these sixty cars. We have five under consideration now.

The CHAIRMAN: Do you build those yourselves?

Mr. HUNGERFORD: Practically. We assemble them ourselves.

Sir EUGENE Fiset: You design and build as well?

Mr. HUNGERFORD: Yes.

Mr. JELLIFF: I notice, Mr. Chairman, quite an increase in the retirement of locomotives and freight train cars as compared with last year.

Mr. HENRY: As a matter of fact, there were more retirements in 1925. In 1925 we retired 44 locomotives; and in 1924, there were 92, forty-eight more than last year. Of freight train car retirement, in 1925 the cars retired and not replaced amounted to 2,442; the cars retired and rebuilt, or converted into other classes 723. In 1924, the cars retired and not replaced were 1,578, and the cars retired and rebuilt or converted into other classes, 1,367. That is an increase in the retirements in 1925 over 1924 of 864 cars.

Sir EUGENE Fiset: All classes?

Mr. HENRY: Yes, all classes, freight cars.

Mr. JELLIFF: Does that leave your rolling stock in a worse condition?

Mr. HENRY: The rolling stock is in better condition.

Mr. HUNGERFORD: Some of it was worn out equipment.

The CHAIRMAN: Replaced by new cars?

Mr. HUNGERFORD: Not all together, but to the extent that we could do so. It was useless equipment.

Mr. CLARK: There is one question as to one or two of the earlier items. In regard to repairs, what is the policy of the company, is it to have established independent companies do the work, the repairs, or does the company do that in their own shops?

Mr. HENRY: It is done in our own shops.

Mr. JELLIFF: This cost is the cost of doing the repairs in your own shops?

Mr. HENRY: That is the cost of doing the repairs in our own shops.

Mr. JELLIFF: Not with outside companies?

Mr. HENRY: Not with outside companies.

Mr. JELLIFF: The policy, as you say, is to rebuild your locomotives and rebuild your cars in your shops?

Mr. HENRY: We rebuild when required. Of course new equipment is purchased outside, but any repairs or rebuilding of our own cars or locomotives is done in our own shops.

Mr. JELLIFF: Exclusively.

Mr. HUNGERFORD: That is correct for the last two years; prior to that, there was an accumulation of bad-order cars, resulting from the war years, and the volume of work was in excess of the capacity of the shops, and contracts were made with new builders.

Mr. JELLIFF: Is any new equipment built in your own shops?

Mr. HUNGERFORD: A little, not very much.

Mr. JELLIFF: Are you increasing the building of new equipment in your own shops?

Mr. HUNGERFORD: No. I do not think it would be advisable to go beyond a certain point.

Mr. JELLIFF: Are you building any new shops at present?

Mr. HUNGERFORD: Any new shops?

Mr. JELLIFF: Yes?

Mr. HUNGERFORD: Not repair shops.

Mr. JELLIFF: Is there no construction under way at the moment?

Mr. HUNGERFORD: We are building some new round-houses.

Mr. JELLIFF: Are there any plans you intend to build on in the coming year?

Mr. HUNGERFORD: No, there are no repair shops.

Mr. JELLIFF: Have you a shop at Leaside?

Mr. HUNGERFORD: Yes.

Mr. JELLIFF: When was that built?

Mr. HUNGERFORD: That was built about 1916.

Mr. JELLIFF: Has it been improved or added to in any way recently?

Mr. HUNGERFORD: No, not very much.

Mr. JELLIFF: Are there no plans under way to enlarge it?

Mr. HUNGERFORD: No, none.

Mr. JELLIFF: What do you do in that shop?

Mr. HUNGERFORD: We repair steel cars, freight cars, ordinary freight cars, and passenger cars.

Mr. JELLIFF: Just repairs?

Mr. HUNGERFORD: Just repairs.

Mr. JELLIFF: There is no new building going on?

Mr. HUNGERFORD: We have no new building going on.

Mr. JELLIFF: Outside of the time you had an accumulation of old equipment, the rebuilding or repairs have always been done in your own shops?

Mr. HUNGERFORD: Not always. But that is the present policy; that is what we are doing to-day.

Mr. JELLIFF: When was it changed?

Mr. HUNGERFORD: We have always employed our shops to a reasonable capacity. When work was in excess of the reasonable capacity of the shops, it was put out; but it has always been the policy of all the Canadian railways that I know of, to do the work in their own shops if they could, and anything else they would send out.

Mr. JELLIFF: Do you do more work in your own shops than the C.P.R., or is there the same policy in both?

Mr. HUNGERFORD: I think the same policy is in vogue in both the C.P.R. and the Canadian National, except that the C.P.R. do a little more new work. They had one large plant originally. It is not for new construction, but they do a certain amount of repair work there also.

Mr. JELLIFF: Are there any companies in Canada that depend upon repairs and rebuilding for their work?

Mr. HUNGERFORD: I do not know; that would imply a knowledge of their affairs. Repairs of cars are usually carried on in the same plants that are built to build them new.

The CHAIRMAN: Are your plants equipped for repairs?

Mr. HUNGERFORD: Yes.

Mr. HEAPS: On that subject, why does not the Canadian National Railways undertake the new construction of cars?

Mr. HUNGERFORD: It would involve the building of a special plant for the purpose, and it is doubtful whether it would pay.

Mr. POWER: Are the plants you have now sufficiently equipped to build freight cars and passenger cars?

Mr. HUNGERFORD: They are not designed for new construction work. It could be done, but not as economically as in a plant specially designed and equipped for the purpose. The plants we have are designed and equipped for repairs, not new construction.

Mr. POWER: The only reason you do not build new construction work is because the plants are not designed or equipped for that purpose?

Mr. HUNGERFORD: That is it.

Mr. HARRIS: We were speaking about Leaside a moment ago. The shops at Leaside or at Danforth have a round-house, which has been in operation for many years. Is it the intention of the railway company to move it to some place in Scarborough?

Mr. HUNGERFORD: There is always the possibility of a change as the business grows.

Mr. HARRIS: I do not want to ask any questions that will embarrass the engineers of the company, but I understand there have been large purchases of land in Scarborough township, and that the idea behind it all is the moving of the round-houses and yards from the old York station, now the Danforth station, out to Scarborough.

Mr. HUNGERFORD: Primarily the idea in purchasing property there was to provide fill for the viaduct work, and in all probability the land will eventually be occupied for the purpose of yards; but no immediate consideration has been given to that question.

Sir HENRY DRAYTON: In connection with the receipts, Mr. Chairman, I notice that the Central Vermont—Mr. Henry can say whether my figures are correct—paid \$706,000 to the system, which is credited under the head of Other Revenue; to enable them to pay that \$706,000, the system paid them approximately \$822,000. There was a loss in the operation of the line of \$822,000 for the year. It seems to me, Mr. Chairman, that we ought not to put in items for accounts which are simply bookkeeping entries. I do not know if there are any others—I noticed that—that are receipts. What we are doing is this. Our investment in the Central Vermont admittedly, is not a good investment, to say the least. We have already put money into it that we will never get out. Nevertheless, we increase our capital charges against the Central Vermont by \$822,000 this year. On the other hand, we take out of that \$822,000, which is an investment, which we will never get back—for the purposes of making our annual accounting look a little better, we set off a credit of \$706,000, money received. I am wondering if Mr. Henry can explain that.

Mr. HENRY: It is a fact that out of income there is included in that amount of the National Railways, an amount covering interest upon bonds of the Central Vermont held by the National Railways—advances made to them—totalling

\$705,966. The income deficit of the Central Vermont for the year 1925 was \$822,755. The Central Vermont Railway is not included in the operating results of the National; it is a separately operated and independent company, so far as our accounts are concerned, and we do, because of that fact, take credit for that amount of interest to make up the deficit.

The CHAIRMAN: Does that deficit of the Central Vermont include fixed charges?

Mr. HENRY: It includes the fixed charges; that is, income deficit; that is, deficit for taking account of the fixed charges. The \$705,966 is part of their fixed charges.

The CHAIRMAN: It is not all of their fixed charges?

Mr. HENRY: No.

The CHAIRMAN: There are bonds held by outsiders?

Mr. HENRY: There are bonds held by outsiders.

Sir HENRY DRAYTON: That is, we have on their notes advances and that sort of thing?

The CHAIRMAN: What is your suggestion there, Sir Henry (Drayton)?

Sir HENRY DRAYTON: That we should see the facts, not the bookkeeping facts, but the real facts. The real fact is that in connection with this enterprise, instead of making an entry of \$706,000, we are out of pocket the difference between \$706,000 and \$822,000.

The CHAIRMAN: You would almost have to keep it that way against the Vermont as a separate company?

Sir HENRY DRAYTON: So far as their books are concerned, yes; so far as our books are concerned, no. We are not interested in setting up in our books assets which are not assets.

Mr. HENRY: Well, there might be some difficulty there, Sir Henry (Drayton), with the Interstate Commerce Commission, if we were to set up in the books interest upon securities which we held, and advances made, and at the same time not take credit for that in our own account. There might be some difficulty there.

Sir HENRY DRAYTON: I apprehend you would not have much difficulty there. I think your smile agrees with my suggestion.

The CHAIRMAN: You can't always interpret a smile.

Sir HENRY DRAYTON: (To Mr. Henry) Come now; you know very well how to handle this thing. What is the best way to handle it to get the facts, and not merely bookkeeping entries?

The CHAIRMAN: I think we have gotten away from that item?

Mr. BELL (St. Antoine): On this item of Retirement: how is that item added in each case into Railway Operating Expenses?

The CHAIRMAN: What number is that?

Mr. BELL (St. Antoine): There are several of them, 310, 316, 319 and 328.

Mr. HENRY: Maintenance of Equipment?

Mr. BELL (St. Antoine): It is on page 20.

Mr. HENRY: How is it an operating charge? Was that your question?

Mr. BELL (St. Antoine): Yes.

Mr. HENRY: Well, the accounting requirements provide that the retirement, when made, should be charged to Operating Expenses. You simply write the cost of the original unit out of Capital, and charge it to Operation, because it has been used up in the operation of the property, therefore, it is a proper charge against that operation.

Mr. BELL (St. Antoine): But coming down to equipment, on page 23—is there a general charge made there for passenger cars, or anything? You make a general charge of the cost of equipment at the beginning?

Mr. HENRY: The cost of the equipment, when purchased, is included in the Investment Account, and when it is worn out, it is credited to the Investment Account, or deducted from it, and charged to Operation, but it does not get into the operation expenses until it is written out—until it is taken out of the Capital Account.

Mr. HUNGERFORD: On the theory that your unit of equipment wears out to some extent each year, but we do not write out depreciation until it becomes obsolete, or is destroyed, and then we write it all out at the close. It is really accumulated depreciation, that is not taken care of before that.

Mr. BELL (St. Antoine): You do not write off each year the depreciation of your equipment?

Mr. HUNGERFORD: That is not the practice in Canadian Railways.

Mr. BELL (St. Antoine): This represents the total value or cost of replacement?

Mr. HUNGERFORD: No, the total book value of the units that you retire.

Mr. BELL (St. Antoine): Different from a case of replacement on the original cost?

Mr. HUNGERFORD: No, the replacements might vary?

Mr. BELL (St. Antoine): Then it is the original cost?

Mr. HUNGERFORD: Yes.

Mr. HARRIS: Mr. Chairman, I would like to ask a question on Item 301, "Superintendence." From away back in 1922 up to date, there is a steady increase each and every year. The same applies to Item 201, and Item 371; an increase over that period from 1922 to now, of about 10 per cent. I would like an explanation of that.

Mr. HENRY: The payroll of the accounting staff. Motor Car Department, in the former Canadian Northern and Grand Trunk Pacific lines, which, in 1924, were charged to Account 452, that is General Salaries and Expenses of Clerks, in 1925 has been charged to this account, as the employees in question were transferred to the Operating Department.

The CHAIRMAN: How much of a difference does that make? Would it account for the increase of \$34,000?

Mr. COOPER: More than that.

The CHAIRMAN: So that there is really not a net increase?

Mr. HENRY: \$99,000.

The CHAIRMAN: But there is really not a net increase, in view of the fact that you have charged it over into another account?

Mr. HENRY: That is correct.

Mr. HARRIS: An increase of \$135,000 over the three years. Is the entire item 452 carried over to 301?

Mr. HENRY: No.

Mr. HARRIS: The whole of it is not?

Mr. HENRY: Part of it goes into 371.

Mr. HARRIS: Is any of it in 201?

Mr. HENRY: I don't believe there is.

Mr. HARRIS: 201 shows an increase of \$242,000 over the period of three years.

Mr. HENRY: The explanation of that increase is due to the fact that greater supervision was required in connection with certain line revisions, which were undertaken during the past year.

Mr. HARRIS: I take it that Item 452 has practically not decreased at all; it is practically the same; it shows a decrease there of \$400,000, and that is added on in another account.

Mr. HUNGERFORD: It is largely due to transferring to other accounts.

Mr. JELLIFF: Mr. Chairman, what becomes of these locomotives, passenger coaches and freight cars that are retired. Do they go to the scrap heap or are they re-conditioned?

Mr. HUNGERFORD: They are all broken up and sold for scrap.

Mr. JELLIFF: You say that your equipment is in better shape this year than last, and yet you show so many less. To look at your account on page 25, there are 129 less passenger and freight locomotives, and you have over 1,000 less box cars, and so on throughout the statement. How is your equipment in better shape for handling your traffic, if you have so much less equipment?

Mr. HENRY: It is of greater capacity.

Mr. HUNGERFORD: There are really a larger number of locomotives and cars that are in serviceable condition than there were last year, irrespective of the obsolete stuff that has been taken out.

Mr. JELLIFF: I want that explained, because a cursory glance might lead one to think that you are falling down in your aggregate equipment, and might be less able to handle your business efficiently.

The CHAIRMAN: Is it true that your new locomotives are much more powerful, and you do not require so many of them?

Mr. HUNGERFORD: Yes.

The CHAIRMAN: To what extent is that true? - I know you have some very large engines now.

Mr. HUNGERFORD: I cannot give you that information offhand.

The CHAIRMAN: Is it quite substantial?

Mr. HUNGERFORD: The average capacity of locomotives is going up, due, first, to the purchase of very much more powerful locomotives than we formerly had, and, secondly, to the retiring of the very small ones.

The CHAIRMAN: The number would come down, but the total capacity might be greater?

Mr. HUNGERFORD: Yes.

Mr. JELLIFF: Is there any market for this retired equipment?

Mr. HUNGERFORD: Not very much. Occasionally we sell a locomotive to a contractor, but very seldom.

Mr. BELL (St. Antoine): I fear I am rather dense about this retirement thing. I cannot see how it comes into Operating Expenses.

Mr. HUNGERFORD: The operation of the railroad is responsible for wearing out of the unit, and has to assume that responsibility sooner or later.

Mr. BELL (St. Antoine): Would you mind taking one individual case, like freight cars or passenger cars, and explain the book-keeping items that you put through? When you first buy a car or a locomotive—

Mr. DALRYMPLE: It is charged to capital.

Mr. BELL (St. Antoine): Then there are repairs and depreciation.

Mr. DALRYMPLE: No depreciation.

The CHAIRMAN: Not depreciation.

Mr. BELL (Deputy Minister): If there was depreciation, this would not come in.

The CHAIRMAN: Is this a correct statement, Mr. Hungerford? We will say, for example, you buy a unit of some kind, and it costs you, say, \$20,000. That is charged to capital. As soon as that is worn out you charge it to operating and maintenance, because it is worn out, and you charge to capital what it would cost you to replace that particular unit?

Mr. HUNGERFORD: That is correct. The question of intermediate repairs does not enter into it at all. They are charged to operating expenses, as we go along.

The CHAIRMAN: And there is no allowance made for that particular unit as it wears out from year to year, until you actually take it out of service, and then you charge it to maintenance?

Mr. BELL (St. Antoine): It would have to be charged off.

Mr. HUNGERFORD: As I said before, it is really an accumulation of the total depreciation.

The CHAIRMAN: Ordinarily, provision would be made to provide for depreciation each year? You would do that in ordinary business?

Mr. HUNGERFORD: It is not the custom on Canadian Railways, but it comes out at the same point.

The CHAIRMAN: Is that clear, Mr. Bell?

Mr. BELL (St. Antoine): That is the total depreciation?

Mr. HUNGERFORD: Yes.

Mr. BELL (St. Antoine): Then this item of depreciation covers the United States lines?

Mr. HUNGERFORD: Yes.

Mr. JELLIFF: Where did you buy those eleven new engines you purchased last year?

Mr. HUNGERFORD: You mean coaches?

Mr. JELLIFF: No, the eleven passenger and switching engines—five new passenger engines, and six switching engines—page 23.

Mr. HUNGERFORD: There were five passenger locomotives bought from Baldwin's at Philadelphia for the Grand Trunk Western lines, running between Port Huron and Chicago.

Mr. JELLIFF: Can you give us the cost of those?

Mr. VAUGHAN: \$56,857 each.

Mr. JELLIFF: How about the switching engines?

Mr. HUNGERFORD: I mentioned the five we purchased. As a matter of fact, the other six, shown on page 25, were ordered the previous year, but not delivered until 1925.

The CHAIRMAN: Those which you purchased from the Baldwin works were for use in the United States exclusively?

Mr. HUNGERFORD: Yes, altogether.

The CHAIRMAN: And those used in Canada are purchased in Canada?

Mr. HUNGERFORD: Yes.

Mr. POWER: Where are they purchased?

Mr. VAUGHAN: From the Canadian Locomotive Company in Kingston, and the Montreal Locomotive Works in Montreal.

Mr. POWER: What do they cost?

Mr. VAUGHAN: \$74,667—the mountain type. Then there is the sales tax goes on, which runs the price up to about \$78,353.28. Those engines would be cheaper if we bought them to-day; that was entirely a new development.

The CHAIRMAN: Can you purchase as cheaply in Canada as in the United States?

Mr. VAUGHAN: No, sir, we cannot.

The CHAIRMAN: But if you paid the duty on them, they would be higher?

Mr. VAUGHAN: They would be a little higher, yes.

Mr. POWER: Where do you use mountain type engines in the United States?

Mr. VAUGHAN: Between Port Huron and Chicago.

Mr. POWER: Where are there any mountains there?

Mr. VAUGHAN: "Mountain" type is a trade name—a class of engine.

The CHAIRMAN: Gentlemen, are you through with Maintenance of Equipment?

Mr. CLARK: There are one or two questions I did not have a chance to ask. In Item 247, Telegraph and Telegraph Lines, \$490,351; was any portion of that money spent on the maintenance of the Canadian National telegraph lines?

Mr. COOPER: No, that is the railway telegraphs—not the commercial telegraphs.

Mr. CLARK: Are the same poles not used for both?

Mr. COOPER: I think the poles would be, but they are not the same wires.

Mr. CLARK: How do you distinguish between the maintenance of one and the other?

Mr. COOPER: They take the wire mileage for commercial service and the wire mileage used for the railways, and they divide the maintenance cost on that basis.

Mr. CLARK: You don't know, offhand, the cost of maintenance of the Canadian National telegraph lines?

Mr. COOPER: We have it, and could easily get it.

Mr. CLARK: It would be interesting to know it. Another question, Mr. Chairman, was this: under Item 227, "Station and Office Buildings." I would like to know what interest the Canadian National Railway has in the north-west corner of King and Yonge streets, in Toronto.

The CHAIRMAN: I wonder if that would not come in better with the estimates.

Mr. HARRIS: I would like to have an answer to that.

Mr. BELL (Deputy Minister): I can answer that question. That property is held in the name of His Majesty the King through the Canadian Government Railways. It is presently vacant, and it is the intention of the railway company to move back and use the offices, and not put up a new building.

Mr. CLARK: They have moved out, and are now going to move back and use the same building, and not plan for a new building—the plans for a new building are discarded?

Mr. BELL (Deputy Minister): Yes.

Mr. HARRIS: When do you expect to move back, Major Bell?

Mr. BELL (Deputy Minister): Immediately; I believe in the next week or two. The telegraph line will not go in there; they go into a special office. I think Mr. Hungerford can tell us where they will go.

Mr. HUNGERFORD: It is not within my jurisdiction, but I understand the commercial telegraph company are established now permanently for a number of years, and there is no intention of moving them back.

— Mr. HARRIS: At the corner of Scott and Wellington streets?

Mr. VAUGHAN: They have taken new quarters up on Bay street.

Mr. JELLIFF: What is that big new station used for?

Mr. POWER: It is used to build a viaduct up to.

Mr. JELLIFF: Is it the purpose of the railway to utilize that big building for office purposes?

Mr. DALRYMPLE: It is all filled now.

Mr. JELLIFF: Then what is the use of having this other property?

The CHAIRMAN: It is really an uptown ticket office.

Mr. HARRIS: I was not clear on the statement made by Mr. Vaughan with regard to the telegraph lines. Did you say the new office is on Bay street?

Mr. VAUGHAN: Yes; they have rented offices in a new building; I think it is at the corner of Bay and Temperance streets, if I remember correctly.

The CHAIRMAN: I think Mr. Manning has that information.

Mr. BELL (St. Antoine): In the meantime, could I ask Major Bell a question? Is it true that they are buying a new station site in Montreal—the Canadian National?

Mr. BELL (Deputy Minister): No; certain property has been purchased there, but they have not bought a new station site.

Mr. BELL (St. Antoine): What is the purpose of the new property?

Mr. BELL (Deputy Minister): To protect their interests there against future developments.

Mr. MANNING: Mr. Chairman, we have a lease for the new premises at Bay and Temperance streets, for a period of 20 years, for the use of the commercial telegraph lines. The accommodations we had were not sufficient, and not convenient to take care of the business, and we had to find an increased accommodation elsewhere, and we took a lease with the proprietor of the building at the corner of—

Mr. HARRIS: Could we get the story over a period of the last three years? First, you were at the old G.N.W. building at Scott and Wellington; then you moved out and went over to King and Yonge, and from there back to Scott and Wellington. Now you are going over to Bay street. Is that correct?

Mr. MANNING: Yes, sir.

Mr. HARRIS: And each one of those moves cost you about a quarter of a million dollars?

Mr. MANNING: No, about \$50,000 is what a move costs us.

Mr. HARRIS: I see the Chairman laughing at that,—

The CHAIRMAN: There is quite a difference between a quarter of a million and \$50,000.

Mr. HARRIS: Yes, but I am not through with that \$50,000. The actual cost of moving all the lines from one office to another is \$50,000. Is that correct?

Mr. MANNING: Yes, about \$50,000; that is my recollection.

Mr. HARRIS: And this will be the fourth move, when you make this one?

Mr. MANNING: That is \$200,000.

The CHAIRMAN: It shows how fast the business is developing, Mr. Harris.

Mr. HARRIS: Do you think \$200,000 will cover the cost of operation of moving forward and back and forward and back during the past three years?

Mr. MANNING: Yes, I think so.

Mr. HARRIS: Why is a move being made now from the old G.N.W. building up on to Bay street?

Mr. MANNING: One reason is that we get a very reasonable rate.

Mr. HARRIS: What is the rental for the year?

Mr. MANNING: Mr. MacConnell, the telegraph manager, would know exactly what that would be.

The CHAIRMAN: You have that information?

Mr. MANNING: I can get it, yes.

Mr. HARRIS: The transaction is closed, as far as Bay street is concerned?

Mr. MANNING: Yes.

Mr. HARRIS: Then it would not embarrass the system if they gave us an idea of what that favourable rate is, of which they spoke. What does it cost you per foot?

The CHAIRMAN: Mr. Harris, would it be satisfactory if they showed it to you?

Mr. HARRIS: Yes.

The CHAIRMAN: Anyway, there will be no move for 20 years, as they have a lease for the property.

Mr. CLARK: Surely there is no objection to telling us what the annual rental is.

Mr. HENRY: We will give you that information.

Mr. CLARK: You have not got it here?

Mr. MANNING: No.

Mr. HARRIS: What will they do with the old site, the old G.N.W. Building?

Mr. MANNING: I cannot say.

Mr. BELL (Deputy Minister): Is that the property at No. 1 Toronto street, of which you are speaking?

Mr. HARRIS: No, at Scott and Wellington.

Mr. HENRY: That has not been decided.

Mr. HARRIS: Is the ownership of that building vested in the Canadian National System?

Mr. HENRY: I think it is the old Montreal Telegraph Company; it is a somewhat involved situation.

Mr. HARRIS: The ownership is really in the Canadian National System?

Mr. HENRY: Yes, I think so.

Mr. COOPER: We have a long term lease of it.

Mr. HARRIS: I understand that it would only cost about \$50,000 to move all your telegraph lines from the location on Scott street over to the new location on Bay street.

Mr. COOPER: I have not got that in mind at the moment. I had in mind the previous moves that were made. I do not think we have the cost of the last move.

Mr. HARRIS: What is it going to cost, to move to Bay street?

Mr. COOPER: I do not know.

Mr. HARRIS: Will it be considerably in excess of \$50,000?

Mr. COOPER: I do not know. If you want these figures, you had better let us get them up for you so that there will be no doubt about them.

Mr. HARRIS: I thought it might be an expensive operation.

The CHAIRMAN: Better get the actual figures, rather than make guesses at it.

Mr. COOPER: We can get it quickly, but not to-day or to-morrow.

Major BELL: How would it do to give one, and that will be typical of the others?

Mr. COOPER: The cost of moving from the corner where we are is \$17,934.

Mr. HARRIS: But that was not a complete move; you did not vacate every building?

Mr. COOPER: Yes, we did.

Mr. HARRIS: Every part of the telegraph work?

Mr. COOPER: As far as the telegraph was concerned.

Mr. HARRIS: You still have some services there?

Mr. COOPER: No.

Mr. HARRIS: No telegraphs at all?

Mr. COOPER: No.

Mr. DALRYMPLE: The business is closed up.

Mr. COOPER: We moved right out.

Mr. HUNGERFORD: That was a move back. The instruments and everything went in.

Mr. JELLIFF: Can you furnish us with a statement of how many of these down-town offices of the Canadian National are maintained throughout Canada.

Mr. DALRYMPLE: What do you mean by down-town offices?

Mr. JELLIFF: I mean outside the railway stations.

Mr. DALRYMPLE: Ticket offices?

Mr. JELLIFF: Ticket or down-town offices, as we call them.

The CHAIRMAN: Do you want them specified, Mr. Jelliff?

Mr. JELLIFF: I want to know what they are, where they are, and what the expense of maintaining them is. Take time enough to prepare that.

Mr. DALRYMPLE: Generally speaking, we think there are too many so-called off line offices in Canada.

Mr. JELLIFF: That is my idea of it.

Mr. DALRYMPLE: But that is a competitive situation, and we are forced to a very large extent by the actions of the C.P.R., which insists upon maintaining its offices at non-competitive points, and we cannot avoid it.

Mr. JELLIFF: It seemed to me to be an avoidable expense, to maintain an office two or three blocks away from the place where people take the trains?

Mr. DALRYMPLE: I agree with that.

Mr. JELLIFF: In these days when people have automobiles to take them to the station, it seems to me that the expense could be avoided.

Mr. DALRYMPLE: It has been put up to the C.P.R. for the last ten years, and no longer than three months ago, we made a proposition to them, which they flatly declined.

The CHAIRMAN: At Ottawa, we have the Union Station handy. Do you think you would lose business, if you closed your offices at Sparks and Metcalfe streets, even if the C.P.R. maintained their office on Sparks street?

Major BELL: It is not a question of losing business, as far as Ottawa is concerned, Mr. Chairman.

The CHAIRMAN: I am taking that as an example.

Major BELL: Take for instance Ottawa: you require your uptown ticket office as a matter of convenience for the public, and in order to do your own business, because you have not the time at the ticket offices to work out tours the passengers want. It is all right for a passenger to buy a ticket to go from point A to point B, but when you sit down to figure out a tour for an individual, that takes time, and we are not provided for that at these offices, either in Canada or in the United States. I think in large places both the C.P.R. and the Canadian National are spending too much money on that proposition.

Mr. POWER: What proposition did you make to the C.P.R.?

Major BELL: That they withdraw all these offices at outside places which were non-competitive, and we would do the same thing on our line. To be fair to them, they did say that they required those offices for their steamship business, and that they could not differentiate between railway and steamship business.

Mr. BELL (St. Antoine): Can we get a general statement as to the office accommodation in different buildings being used in Montreal? Coming back to Major Bell's answer a few minutes ago, the purchase of this property for protective purposes; is it simply the intention of the Railways to purchase this property and not to use it, and is that considered to be a good proposition?

MAJOR BELL: Quite often we purchase looking to construction in the future. As a matter of fact, quite frankly the big property I have in mind—we purchased a number of little properties—but the big property was the Stevens property, and the reason why that was purchased about that time was that we understood there was to be a big factory erected on it later on, and that if we had to expropriate it it would cost us an immense amount of money. So we purchased the property, and it could be sold for what we paid for it, and probably more. It was just to protect the railways.

The CHAIRMAN: You were not buying it as a real estate speculation?

MAJOR BELL: Not as a real estate speculation.

Mr. BELL (St. Antoine): Is it true, Major Bell, that in Montreal you are using space in the old Almy building, on St. Catherine street?

Mr. DALRYMPLE: That is true.

Mr. BELL (St. Antoine): Also a portion of the Bank of Montreal Building on McGill St.?

Mr. DALRYMPLE: Right.

Mr. BELL (St. Antoine): Would it not be economical to get—I presume the offices are more or less scattered?

Mr. DALRYMPLE: They are.

Mr. BELL (St. Antoine): You are really in need of additional office space in Montreal?

Mr. DALRYMPLE: We are very badly in need of centralizing our staff under one group. We realize that fact.

Mr. BELL (St. Antoine): You are working on a general plan towards that end?

Mr. DALRYMPLE: We hope to accomplish something in the future.

Mr. CLARK: I wonder if we could have the total operating expenses of the telegraph company, so that we could see what proportion our Railways bear to the whole thing?

Mr. COOPER: I can give you the total operating expenses, but not separately; I have not got them in detail. This figure includes the cost of operators and all operating expense of the telegraph company. That figure is \$3,400,000.

Mr. CLARK: The Canadian National Railways pay only about one-eighth.

Mr. COOPER: This is the total expenses, including everything. The figure we were talking about was simply the maintenance of the telegraph wires.

Mr. CLARK: Have you the cost of maintenance of the whole thing?

Mr. COOPER: No, but I can have it by to-morrow.

Mr. CLARK: Have you the revenue of the Canadian Telegraph Company?

Mr. COOPER: The total revenues amounted to \$3,995,000.

Mr. CLARK: Does that mean a surplus, or a deficit?

Mr. COOPER: There was a surplus.

Mr. CLARK: Of how much?

Mr. COOPER: Of \$595,000 in operating expenses. There are charges against that.

Mr. CLARK: Is there a deficit when the charges are taken into consideration?

Mr. COOPER: No, the net profit of the Canadian National Telegraph Company was \$176,000.

The CHAIRMAN: Now, gentlemen, the House meets at two o'clock. It is twenty minutes to one o'clock now. Will you continue now, or can we finish "Traffic" at present? What is the wish of the Committee? Shall we start on it now? Very good. You will find at page 20, items 351 to 359, under the heading "Traffic Expenses."

Mr. HARRIS: I wish to make some observations in regard to item 351. I notice that the item of superintendence is steadily climbing each year. I would like to ask a question more particularly in regard to item 352, "Outside Agencies." Are there any moneys in this particular item that might represent the cost of commissions paid for securing traffic?

Mr. DALRYMPLE: I have the question, and I am looking for the answer. I think not. I have it here; it does not include any commission.

Mr. HARRIS: Will you tell us the cost of the agency at Detroit?

The CHAIRMAN: Is that the same thing we had up the other day?

Mr. DALRYMPLE: No, it is an entirely different one.

Mr. HARRIS: It is in the same city, Detroit?

The CHAIRMAN: But is it the same item you had up the other day?

Mr. HARRIS: Yes, it is.

The CHAIRMAN: The other day we rather felt that it should not be made public.

Mr. DALRYMPLE: I was going to raise that question after I found the figures. I have them here somewhere. I notice in your proceedings last year that you broadcasted pretty generally the expenses of the Canadian National Railways at various places, particularly in the United States. I think that is very, very unfair, because it gives our competitors an opportunity of knowing how much money we are spending to attract business from the United States through Canada. I will be glad to give any member of the Committee, or the Chairman, any information they desire upon that subject.

The CHAIRMAN: Mr. Harris has dropped that.

Mr. HARRIS: There is another question, along the same line. I do not want it answered, if it is going to embarrass anybody. Is there any co-operation between the soliciting freight agents of the Canadian Government Merchant Marine and the Canadian National Railways, in the different centres? In other words, are they housed in the same buildings; do they solicit freight for the Canadian Government Merchant Marine, having in mind at the same time, that that freight will be carried over the Canadian National Railways?

Mr. DALRYMPLE: They do, and as far as the office accommodation will permit, the Canadian Government Merchant Marine are housed alongside us, and in many instances—I am speaking entirely of the United States—the old Canadian Northern, and later on the C.N.R., were not very much interested in United States traffic. The Grand Trunk was then operating. The result was that we found ourselves with limited accommodation. So that you will find at some places that we have offices operated by the Canadian National Railways, and there are other offices operated by the Canadian Government Merchant Marine.

The CHAIRMAN: Do you expect to get those consolidated?

Mr. DALRYMPLE: We are doing so, Mr. Chairman, just as fast as we can.

Mr. HARRIS: I do not know how they can consolidate them, if they are going to put the expenses of soliciting freight for the Canadian Government Merchant Marine into the operating expenses.

Mr. DALRYMPLE: That does not prevent the consolidation.

Mr. HARRIS: It is a matter of book-keeping, is it not?

Mr. DALRYMPLE: No, it is a matter of actual practice; the one has no bearing upon the other. As was explained the other day, there are certain things we can do through our regular organization, and certain things we cannot do except by a separate method.

Mr. HARRIS: Is the freight itemized, in the item of Agencies?

Mr. DALRYMPLE: Yes, that is one thing; it is to the extent that it is itemized there. There is one item there, but the item of soliciting freight is included in Operating Expenses.

Mr. HARRIS: May I ask, Mr. Chairman, if they would enlarge upon these Outside Agencies just a little?

Mr. DALRYMPLE: At Detroit, we maintain an outside passenger ticket agency; we also maintain a staff of railway officers, that do not come into that particular item or account, but which would come into our General Expenses.

Mr. HARRIS: Do we find that item in these costs covering the cost of soliciting freight?

Mr. DALRYMPLE: You will find it under General Superintendence, Item 351, also under item 352. It is a matter of book-keeping, to be perfectly frank with you. I mean the distinction between Superintendence and Outside Agencies, is a matter of book-keeping. For instance, at Detroit, we have an assistant general freight agent, that goes, as I understand it, under the head of Superintendence, but being one of the regular staff, in addition to that, we have an outside ticket agent, and he would come under item 352, Outside Agencies.

Mr. HARRIS: These outside agencies, are they directly under the control of, hired by, and responsible to the officers of the Canadian National Railway?

Mr. DALRYMPLE: Yes.

Mr. HARRIS: So they are your employees?

Mr. DALRYMPLE: They are our employees, and are on our pay roll.

Mr. HARRIS: I cannot see the distinction between these items which include Superintendence.

Mr. DALRYMPLE: It is the way they put the figures down, Mr. Harris. Take item No. 352, in accordance with the regulations, we are governed in this manner: (Reading):

"352. Outside Agencies:

• This account shall include the pay, and the office, travelling, and other expenses of general, commercial, city, and district agents and others soliciting traffic, the employees of their offices, and travelling agents and solicitors located on or of the line of the carrier's road.

City, ticket and freight offices separate from regular station city and ticket offices, shall be treated as outside agencies; the pay and expenses of the employees therein and the expenses of such offices shall be charged to this account.

Commissions for services pertaining to either freight or passenger business, except commissions paid in lieu of salaries to carrier's agents located upon the carrier's own line (which shall be charged to account No. 373, 'Station employees') shall be included in this account."

The CHAIRMAN: Are your agencies working on salaries, or commissions, or both?

Mr. DALRYMPLE: So far as freight is concerned, they are all working on salaries. We have a few instances where we find that the amount of commission paid does not justify the putting of the employee on a regular pay roll.

Mr. HARRIS: Can you tell us, Mr. Henry, according to the rules and regulations laid down in this blue book, whether you are allowed to pay commissions for soliciting freight?

Mr. HENRY: I think Mr. Dalrymple has answered that question already. The railways were permitted to pay commissions.

Mr. CLARK: I think Mr. Dalrymple said it was not the practice.

Mr. DALRYMPLE: It was not the practice to pay commissions; it is permissible, but it is not the practice. We have some commission agencies on the other side, in the United States. We maintain for instance, a refrigerator line, operated separately. It is known as the Chicago-New York and Boston Refrigerator Company. You will find it included in our statements of revenue. That organization is self-supporting, in that it receives from the railways east of Chicago, a commission on the business, it gives to those railroads; the arrangement being with the Grand Trunk lines west of Detroit, the Central Vermont, the Delaware and Lackawanna, and the Lehigh Valley Railways. In that case, their compensation is from sources of commissions and mileage earnings on their cars.

The CHAIRMAN: Gentlemen, I suggest that we adjourn. Does the Committee desire to continue? We can bring these things up to-morrow as well as to-day. It is ten minutes to one, and the House meets at two o'clock.

Mr. HARRIS: I do not want the question answered to-day, but I want it to be read into the record, if the Committee will bear with me. This has reference to the sale of land, in my particular constituency, by the Right-of-Way Agent.

The CHAIRMAN: Do you want to give that as a notice?

Mr. HARRIS: The criticism should not be left without being answered by the company. It has to do with the sale of 4.79 acres at the corner of Woodbine Avenue, Toronto, on the east side of Woodbine, where Woodbine Ave. intersects the Canadian National lines. The property was advertised, tenders were called for, and the offer of a party in Toronto proved to be the highest tender. The understanding was that it was to be sent to Montreal for approval at Montreal by Mr. J. H. Hungerford, Vice-president in charge of operations. It was suggested that it would be an act of courtesy, before the tender was accepted, that the matter should be drawn to the attention of Mr. J. McDougall, a Toronto director, with offices at 302 Bay Street, who was closely associated with the Trust & Guarantee Company. Subsequently an offer was submitted higher than this particular tender, and the tender was removed from consideration. Later on, the tenderer was informed that his tender was not the lowest, and it was subsequently refused, and the property sold for a higher figure. The question I want to ask is this, Mr. Chairman; what relationship did the directors of the company bear to the officers of the company in the selling of this property? I have read this for the purposes of the record, and I would like to ask Mr. Hungerford to give us a statement at our next meeting, which will clear this matter up.

The CHAIRMAN: Are you reading from a newspaper report?

Mr. HARRIS: No sir, from a communication from the highest tenderer who had a tender in.

The CHAIRMAN: They can probably answer that by to-morrow.

Mr. CLARK: Mr. Chairman, I want to get the mileage of telegraph and telephone lines operated by the Railway Company; similar figures for the Canadian National Telegraph Company, the cost of maintenance of way and structures borne by the Canadian National Telegraph Company, so that I may compare that cost with item 247, Telegraph and Telephone Lines.

Mr. HARRIS: You want to know what is charged to the commercial end, and what is charged to the Railway?

The CHAIRMAN: If we want to meet to-morrow morning at 10:30, I would suggest that the members be a little more punctual. This morning, we did not start until ten minutes to eleven. This Committee will stand adjourned until to-morrow morning at half past ten o'clock.

The Committee adjourned until June 9th, 1926, at 10:30 A.M.

SESSION 1926
HOUSE OF COMMONS

SELECT STANDING COMMITTEE
ON
RAILWAYS AND SHIPPING

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 8—JUNE 9, 1926

WITNESSES:

Sir Henry Thornton, President, C.N.R.
J. E. Dalrymple, Vice-President.
R. A. C. Henry, Bureau of Economics.
T. H. Cooper, General Auditor.
J. W. Black, Mgr. Colonization Department.

OTTAWA
F. A. ACLAND
PRINTED AT THE KING'S MOST EXCELLENT MAJESTY
1926

ORDER OF REFERENCE

HOUSE OF COMMONS,

WEDNESDAY, May 19, 1926.

Resolved,—That Rule 10 of the House of Commons relating to the appointment of the Select Standing Committees of the House be amended by adding to the Select Standing Committees of the House for the present session a Select Standing Committee on Railways and Shipping owned, operated and controlled by the Government, to which will be referred the estimates of the Canadian National Railways and the Canadian Merchant Marine for the present session, for consideration and for report to the House, provided, however, that nothing in this resolution shall be construed to curtail in any way the full right of discussion in Committee of Supply; and that the said Committee consist of Messrs. Bell (St. Antoine), Boys, Campbell, Clark, Drayton, Dunning, Euler, Fiset, Harris, Heaps, Jelliff, Jones, Johnston, Power and Robichaud.

Attest.

ARTHUR BEAUCHESNE,

Clerk of the House.

REPORTS

HOUSE OF COMMONS,

WEDNESDAY, May 26, 1926.

First Report: Mr. Euler, from the Select Standing Committee on Railways and Shipping owned, operated and controlled by the Government, presented the First Report of the said Committee, which is as follows:—

Your Committee recommends that its minutes of proceedings and evidence be printed from day to day for the use of the members of the committee and of the House and that Rule 74 be suspended in reference thereto.

Second Report: Mr. Euler, from the Select Standing Committee on Railways and Shipping owned, operated and controlled by the Government, presented the Second Report of the said Committee, which is as follows:—

Your Committee recommends that it be granted leave to sit while the House is in session.

Concurrence: On motion of Mr. Euler, the First and Second Reports of the Select Standing Committee on Railways and Shipping owned, operated and controlled by the Government, were concurred in.

FRIDAY, May 28, 1926.

Third Report: Mr. Euler, from the Select Standing Committee on Railways and Shipping owned, operated and controlled by the Government, presented the Third Report of the said Committee, which is as follows:—

The attention of your Committee having been drawn to the omission of the interim supply voted by Parliament during the present Session, of any part of Items 372 and 373, of the Estimates 1926-27 respecting loans to the Canadian National Railway and the Canadian Government Merchant Marine, Limited;

Your Committee therefore recommends that Parliament grant as interim supply the sum of \$10,000,000 of the said Item 372 and the sum of \$200,000 of the said Item 373.

MINUTES OF PROCEEDINGS

HOUSE OF COMMONS,
WEDNESDAY, June 9, 1926.

The committee came to order at 10.30 a.m. Mr. Euler the chairman, presiding.

Member present:—Messrs. Clark, Drayton, Dunning, Euler, Fiset, Harris, Heaps, Jelliff, Johnston (Long Lake), Power.

Sir Henry Thornton, President, Canadian National Railways and other officials of the C.N.R. were before the committee.

Items 351 to 359 inclusive, under the Caption, "Traffic Expenses" were considered and disposed of, with the exception of Item 353, "Advertising" which was referred to a subcommittee of Messrs. Clark, Fiset and Jelliff.

Items 371 to 420 inclusive, under the Caption, "Transportation Rail Line", were considered and disposed of.

Items 441 to 446 inclusive, under the Caption, "Miscellaneous Operations" were considered and disposed of.

Items 451 to 462 inclusive, under the Caption, "General Expenses" were considered and disposed of.

A statement of Outside Agencies (so-called), maintained on a salary basis by the C.N.R. was filed and appears in the printed Minutes of Evidence of this date.

The committee then adjourned till 11 o'clock A.M. Thursday, June 10.

A. A. FRASER,

Clerk of the Committee.

MINUTES OF EVIDENCE

COMMITTEE ROOM 425,
HOUSE OF COMMONS,
WEDNESDAY, June 9th, 1926.

The Select Standing Committee on National Railways and Shipping met at 10.30 a.m., the Chairman, Mr. Euler, presiding.

The CHAIRMAN: I think we practically closed the discussion yesterday on Maintenance and Equipment. Are you ready to go on?

Sir HENRY THORNTON: I think there were a couple of questions which were asked at yesterday's meeting. Shall we give the answers to those now?

The CHAIRMAN: Whose questions were they?

Sir EUGENE Fiset: Mr. Bell's.

The CHAIRMAN: Mr. Bell is not here.

Mr. HENRY: They were asked by Mr. Clark. I think we satisfied Mr. Bell.

The CHAIRMAN: Put them in the record, and if Mr. Bell wants to ask any questions later on, he can do so.

Mileage of telegraph and telephone lines operated by the railway company and similar mileage figures for the Canadian National Telegraph. Cost of maintenance of way and structures borne by the Canadian National Telegraphs to be compared with Item 247.

Wire mileage—

Commercial.. . . .	51,642
Railway.. . . .	42,204
Joint.. . . .	15,203
	<hr/>
	109,049

Joint is divided 50% to each—

Commercial.. . . .	59,243	54.33%
Railway.. . . .	49,806	45.67%
	<hr/>	
	109,049	

Percentages used in 1925 were—

Commercial.. . . .	51.8%
Railway.. . . .	48.2%

These figures were used because the actual 1925 percentages were not then available.

The maintenance expense included in the Telegraph's accounts in 1925 was \$571,435.14; amount deductible for maintenance other than wires (such as inside plant) was \$112,535.61; leaving \$458,899.53 applicable to outside plant.

The Railway accounts (Account 247) show \$490,351.10. Deducting United States Lines—\$74,187.18—this leaves \$416,163.92.

So that Commercial wire maintenance was \$458,899.53 or 52.4%

So that Railway wire maintenance was.. 416,163.92 or 47.6%

\$875,063.45

Q. For a statement showing the cost of item (Account) 220 for the first six months of 1925 as compared with the first six months of 1924:

A.	1925	1924	Decrease	P.C.
	\$ 5,442,909 13	\$ 5,772,980 71	\$ 330,071 58	5.8
Revenues. . . .	105,543,743 00	114,862,558 00	9,318,815 00	8.5
	\$5,772,980 X .65	\$3,700,000=	315,000 00	

The CHAIRMAN: Are there any other questions?

Mr. HARRIS: I asked a question yesterday about the disposal of lands.

Mr. HENRY: We are working on that now.

Mr. HARRIS: Where is the difference between what these parcels stand at on the books and the actual sale price? Where would that show up in the balance sheet?

Sir HENRY THORNTON: We can answer that to-morrow, when we bring the answer to the entire question.

Mr. HARRIS: I would like to say that the idea I have underlying this is that with the amount of correlation going on, there must be very considerable number of properties which the system is able to dispose of.

The CHAIRMAN: You mean real estate?

Mr. HARRIS: Yes.

Sir HENRY THORNTON: We will answer that question, and prepare a general memorandum of the whole subject, Mr. Harris.

The CHAIRMAN: What was your question, Mr. Jelliff?

Mr. JELLIFF: The only question I had was one upon which Mr. Henry said he would get the data later. It was in reference to the number of our downtown offices, and the expense of maintaining them, and whether or not some of them could not be dispensed with.

Mr. DALRYMPLE: We will answer that a little later on.

Mr. HARRIS: Just before we go on with the regular business, may I ask a question? Will there be any deposition made with regard to the progress the system is making to overcome the heavy competition they are experiencing on account of the motor truck service?

The CHAIRMAN: You mean by way of going into that business themselves?

Mr. HARRIS: No, I am not suggesting that, but they realize the difficulty they are in now, and have been for some years, and I was wondering if there would be any deposition made as to what they were going to try to do to offset that.

Sir HENRY THORNTON: If that question is proposed, Mr. Chairman, we will be in a position to tell the committee the studies which are being made, and how we regard the whole thing. We have not, I might say, any definite plan for meeting it, but it is under study, and we can give the committee full information of what studies we have made.

Mr. HARRIS: I merely suggest that to give the officers an opportunity of making a statement to this committee.

The CHAIRMAN: Are you ready to give the statement, Sir Henry (Thornton)?

Sir HENRY THORNTON: Yes. I can give it any time Mr. Harris likes.

Mr. HARRIS: Whenever it is in order. There is no hurry.

Sir EUGENE Fiset: We might ask to have it now.

Sir HENRY THORNTON: It would properly come up under Traffic.

The CHAIRMAN: We will go into Traffic almost immediately. You might as well give it now, Sir Henry (Thornton), if you are ready.

Sir HENRY THORNTON: Perhaps the best way for me to handle it would be to make a general statement, and then Mr. Dalrymple, the Vice-President in charge of Traffic, can tell the committee the details of the study we are making, and give you some idea of the situation. The motor bus competition has become a very serious competitor, not only for the railways of Canada, but also for the railways in the United States and abroad. And it is a greater competitor, of course, in older countries than it is here, because there are two things which somewhat affect motor bus competition in Canada.

In the first place, our long and comparatively severe winters, and the general state of our roads. While we have made much progress in Canada towards improving our highways, at the same time there are many sections of the country where the highways are not in a condition to enable the satisfactory handling of motor bus traffic as a competitor of the railway, especially in the winter time. We find, in the first place, as is perfectly obvious, that motor bus competition is more severe over comparatively short distances and between large centres of population; such as, between Montreal and Toronto, or Montreal and Ottawa; something of that kind.

We have been studying the problem. We realize that it is a serious matter; we have not as yet formulated and definite answer to the problem. We do not quite know how we can deal with it, because, presumably, any scheme dealing with the situation would involve meeting that competition by a similar kind of competition. That would involve a very considerable outlay; it would involve a very considerable capital expenditure on the part of the railway company. With that problem confronting us, we have had to go into the question with a great deal of detail, and a great deal of care.

Now, having made that general statement of the situation, perhaps Mr. Dalrymple will pick up the flag and tell the Committee just what studies have been made, and any information the Committee think would be useful.

Mr. DALRYMPLE: I think Sir Henry, you have covered the situation thoroughly. As far as we have gone with our studies, we have not yet reached the point of striking a conclusion. We have organized, and Mr. Henry is acting as chairman of the committee. Mr. Henry is more in touch with the situation than I am. I think I am correct in stating that we are working along the lines of meeting the competition by motor busses, with a like kind of competition, but we have not yet reached the point where we can make a definite recommendation.

The CHAIRMAN: Do you find it worse with regard to passenger or freight competition?

Mr. DALRYMPLE: Naturally, it is worse with regard to passenger traffic; but the competition is rapidly growing with regard to freight; and in the Ontario districts more than any other part of Canada.

Sir HENRY THORNTON: I might say, Mr. Harris, one of the implements which will help us meet that competition is the introduction of the Diesel electric unit. This unit was developed by engineers of the Canadian National Railways, and is adapted for passenger lines; what we call "suburban service." That unit offers a great deal of promise. I do not think it will ever entirely meet the question of motor bus competition, but it will enable us to run services in competition with motor busses, or our own railway lines, at very much less cost than steam service; it will be much more elastic, and will go at least part of the way towards meeting motor bus competition.

I might also say, incidentally, that the introduction of the Diesel Electric engine will very materially improve the branch line position. There are certain branches where we are obliged to maintain a certain service; if we could maintain that service by using the Diesel electric engine, we could operate at less cost, and

provide a satisfactory service. In most cases services on branch lines, by the use of the Diesel electric engine could be performed at a profit. So the Diesel electric method of propulsion, to some degree, will meet motor bus competition, and will very largely solve some of the branch line problems.

Perhaps Mr. Henry can tell the Committee something of interest. Mr. Henry is the Chairman of the Committee that was appointed, consisting of traffic officers, and some officers of the operating department.

Mr. HARRIS: What is the name given to that committee?

Sir HENRY THORNTON: "Committee on Motor Bus Competition," and they have been conducting studies with regard to the situation since about last autumn; so possibly Mr. Henry can supplement what has already been said, by giving some interesting information to the Committee.

The CHAIRMAN: Go ahead, Mr. Henry.

Mr. HENRY: I do not know that I can add very much to what Sir Henry has already said, except perhaps to tell you somewhat of the detailed procedure adopted by the Committee in ascertaining the exact situation.

The motor bus competition is being felt, as the President and Mr. Dalrymple have already said, chiefly in the Niagara Peninsula. It is also felt in the Province of Quebec, in the summer time, but winter conditions there are rather more severe than they are in the Niagara Peninsula, and, therefore, the motor bus competition during the winter time is not serious in Quebec as in the Niagara Peninsula; and the public, in the Province of Quebec, to a certain extent, realizing that the railways have to provide service twelve months in the year, do not patronize the motor busses to the same extent as is done in Ontario.

We have to approach the problem from two points of view; I might say, first, from the passenger standpoint, and secondly, with regard to freight. But, apart, from those two points of view, to determine whether the existing service, be it freight or passenger, can be discontinued, and superseded by motor busses, we have to look into the economics that may be vital.

The second consideration is to ascertain whether or not the railways would be justified, from the standpoint of earnings, of going into the operation of motor busses, as a subsidiary service, if you like, or as a supplementary transportation agency.

Generally speaking, it may be said, as far as freight is concerned, that no reduction in the freight service can be made; and, therefore, you cannot effect any economies by superseding the present service.

Mr. BELL (Deputy Minister): Last year, or the year before, in this Committee, an estimate was given as to the amount of business that was taken from the railways by motor bus competition.

Mr. HENRY: That was passenger.

Mr. BELL (Deputy Minister): Twenty-four million dollars.

Mr. HENRY: I do not carry the figure in my mind, but it was a substantial item.

The CHAIRMAN: Would you care to say what it amounted to last year, in your case?

Mr. HENRY: I would not like to venture a guess; I would rather look it up. I think it was something like twenty million dollars, but would not be prepared to say that represented the actual loss in revenue to the railway by reason of the motor vehicle. That loss of revenue has somewhat increased, and probably some of that is due to an increase in the travel habit, because of the development of the motor vehicle.

As far as the second feature is concerned, namely, the desirability of going into the operation of motor vehicles, as suggested, in order to take the traffic now being handled by motor bus companies, that is still in the process of inves-

tigation. There are so many factors involved that it is pretty difficult to arrive at any conclusion.

The CHAIRMAN: I know that method has been adopted by the C.P.R., at one point.

Mr. HENRY: That is in the passenger service. It has not been done to any great extent.

The CHAIRMAN: That is between Galt and Preston.

Mr. HENRY: Yes, I am aware of that.

Mr. HEAPS: Have some of the railroad companies of Great Britain taken some definite action in regard to the matter of competition by motor vehicles?

Sir HENRY THORNTON: Well, I do not know, I am not familiar with that detail, but I do know that when I left England in 1922, the railway companies were very much alarmed about motor bus competition, which is necessarily a very lively factor there, because of the mild climate in the winter time, and the general excellence of the roads, which are found practically all through the United Kingdom. Many of the railways, when the Railway Act was passed, amalgamated, and sought power to put motor busses in operation in competition with existing motor bus lines. That power was not generally granted. It was found that a good many of the subsidiary companies, which entered into this amalgamation, had certain powers; for instance, my own railway, the Great Eastern, had powers to run motor busses, aeroplanes, and in fact, any form of transport, anywhere. It was a question whether that authority would carry to the amalgamation of companies. Suffice it to say, the railways of England are suffering from much more severe competition from motor busses than we are suffering in Canada, and it is a source of considerable anxiety.

Mr. HEAPS: Did not they reduce the fares to meet the competition?

Sir HENRY THORNTON: I do not think so; I am not certain; I do not think they did; I am rather certain they did not, but I would not be sure of it.

Hon. Mr. DUNNING: The impression one gets, from travelling, on the English railways is that the railways are concentrating more and more on the long haul traffic, and leaving the cross country line traffic to the motor busses. There is a very poor branch line service in England compared to our own.

Sir EUGENE Fiset: Can anything be done from a legal point of view? In the Province of Quebec, at the present time, the tendency is not only to encourage motor bus service, but they are really giving charters to some persons in certain sections, and I am afraid the competition will be keener all the time; and they are not contributing proportionately to the expense of keeping up the roads.

Sir HENRY THORNTON: The motor busses contribute practically nothing towards the upkeep of the roads over which they travel; whereas the railways have to maintain the track.

Sir EUGENE Fiset: That is the point I had in mind. At the present time, motor bus operators have to have two licenses; there is a certain amount of money that is contributed from motor bus companies for the upkeep of the roads. The authorities who run such motor transportation lines in the Province of Quebec should contribute towards the maintenance of the roads.

The CHAIRMAN: Do they give them an extra franchise?

Sir EUGENE Fiset: With regard to certain sections of the roads, they do; they have not an exclusive franchise, but they charge so much, which is equivalent to a franchise.

Sir HENRY THORNTON: The railways are compelled to contribute to the upkeep of the roadbed on which the motor busses travel.

The CHAIRMAN: In Ontario, there is a strong feeling developing that motor bus operators should be charged a much heavier fee, than is charged at the present time.

Sir EUGENE Fiset: That is what we are doing in Quebec.

The CHAIRMAN: That strong feeling has developed that a heavier fee should be charged, because the motor busses are using the roads and destroying them.

Sir HENRY THORNTON: In the United States, the Inter-State Commerce Commission is seeking authority to regulate and supervise the operation of motor bus transport. The motor bus transport having become a serious factor, it has attracted the attention of the Inter-State Commerce Commission, and it is not unlikely that there may be some enactment passed in the United States which will put the Inter-State Commerce Commission in command, or give them certain regulatory powers over motor busses, because they do constitute a means of transport.

Sir EUGENE Fiset: Last year, in Quebec, there was a new service between Quebec and Montreal, which entered into competition with the C.P.R., which became so serious that the C.P.R., last year, introduced such a service themselves. As the roads are improved, the competition will become greater.

Sir HENRY THORNTON: In the United States, there is motor bus transport between New York and Boston, making the journey in seven hours; whereas the fastest time that can be made by the railways is five hours. The same thing applies between New York, Philadelphia, Boston and Washington.

Mr. DALRYMPLE: In certain States, the motor busses must have a certificate from the Public Utilities Commission as a necessity of public service.

Sir EUGENE Fiset: That is exactly what was discussed at the last Legislative Assembly in Quebec; they wanted to place the control of motor busses under a commission.

Mr. DALRYMPLE: It would be a very good idea.

Mr. HENRY: Did not they do it?

Sir EUGENE Fiset: The more revenue they get, the more chance we will have of getting such a law. They have not done it.

The CHAIRMAN: I suppose, Mr. Dalrymple, the certificate that has to be obtained is to guard against the running of light busses?

Mr. DALRYMPLE: They have to show the necessity of such transportation, as an actual fact; the same as the steam railways have to do. And where steam railways are performing satisfactory service, applications for motor bus charters have been refused.

The CHAIRMAN: There should be some supervision as to the kind of bus that is allowed to be used.

Mr. DALRYMPLE: That is included in the Public Service Act of the United States.

Mr. HARRIS: These bus companies operating on the highways do not come under the provisions of the Railway Act of 1919?

Sir HENRY THORNTON: No, they do not.

Mr. HARRIS: Would the legal department care to make a statement as to what efforts are being made to try to bring in some such restriction?

Sir HENRY THORNTON: The Canadian National Railways and the C.P.R. have taken no steps to bring that about. The whole question is under review by both railway companies, but we have not as yet formulated any policy as to what the railways ought to do to meet the situation. I think it is pretty evident that the problem of motor bus competition is growing in importance,

and such motor bus traffic should properly fall under the regulatory power of the Railway Commission of Canada the same as is being suggested in regard to the Inter-State Commerce Commission in the United States.

Mr. HARRIS: There are so many factors necessary for your system to live up to, under the Act; whereas these other people do not have to bother about such regulations.

Sir HENRY THORNTON: You are quite right.

Mr. HARRIS: The fact that you have to act in accordance with the law, must be a very serious factor.

Sir HENRY THORNTON: That all costs money.

Mr. BELL (Deputy Minister): Any local railway, in the province, that can obtain a charter from the province, is subject to the province, not to the Dominion; as they are using provincial roads, and not Dominion roads; the roadbed is provincial. You cannot start in with Dominion legislation to control provincial property. The Dominion has no jurisdiction over provincial roads.

Mr. HARRIS: You feel, Major Bell, it would not be possible to place that under the control of the Railway Act?

Mr. BELL (Deputy Minister): Not under the Dominion, not under the jurisdiction of the Dominion Railway Board; it would have to be provincial.

Sir HENRY THORNTON: It can be brought under Federal control, providing they are engaged in interprovincial business.

Mr. BELL (Deputy Minister): Not necessarily; there would have to be respect of provincial rights.

Mr. HARRIS: They are using nicely upholstered coaches, and if those coaches came under the Railway Act of 1919, all the dead-heads could ride by the coaches, with rubber tires, instead of in the coaches that travel over the steel.

Sir HENRY THORNTON: That is an ingenious thought, which might be welcome.

Sir EUGENE Fiset: What I am thinking about is, should you decide to start a motor bus service in any province, where you come in contact with the provincial authorities, will they allow you to meet the demand?

Sir HENRY THORNTON: I think you are entirely right. It is engaging our best endeavours at the moment, and it is a problem that has got to be determined before so very long.

Sir EUGENE Fiset: At the present time the rates charged by the company are easy, but as the service increases the rates will be higher, and the provincial authorities will not lose any chance to try to get something out of the Canadian National if they can.

The CHAIRMAN: They cannot discriminate against the Canadian National as compared with private companies. -

Sir EUGENE Fiset: They might make it impossible for the Canadian National to operate vehicles on their roads.

The CHAIRMAN: If there is money enough in the business for the private person, why not for the Canadian National?

Sir EUGENE Fiset: I understand that they are always cheaper under the private operation.

The CHAIRMAN: Have we exhausted this item?

Mr. HARRIS: Not quite. I would like to hear something more about the freight situation. We have heard considerable about busses. Can we hear something about trucks?

Mr. HENRY: My remarks, Mr. Harris, did refer to the freight as well. What I said was this: that we were looking at it from two standpoints. First, from

the standpoint of replacing, by the use of the motor vehicles on the highways, certain classes of freight service. The only one that had any chance really was the L.C.L., "the less than carload." But the less than carload operations are mixed up with the movements between stations of carload freight. And, the carload freight to private sidings is also included in the same operation. So that if you handle the less than carload by means of motor vehicles, you would not cut down your service very substantially. The other standpoint is to get on to the highways as a motor vehicle transportation system, if you like, to carry freight. Just how that would work out we are not prepared to say yet. We are investigating.

Mr. HARRIS: Along the same lines, Mr. Chairman, the steamship company is a very serious factor. It adds to the competition by giving cheaper rates in the same area that you mention. I have in mind more particularly the area Toronto-Hamilton. They have taken the matter definitely in hand, and with a view of giving continuous service for the year round, when the boats let up they put on a motor truck service between Toronto and Hamilton. Is anything being done to offset that competition?

Sir HENRY THORNTON: I do not think the steamship service has bothered us much between Hamilton and Toronto, has it Mr. Dalrymple?

Mr. DALRYMPLE: Yes, Sir Henry. In answer to the question, nothing serious has been done by the railways, either by the Canadian Pacific or the Canadian National, to meet water competition at any point in Canada, for the reason that under the Railway Act the very minute we do so, we create a discrimination, in regard to the movement of traffic from interior points as against water points. Although under the law we have a right to meet water competition, there always comes into play the competition situation between industries. So far, we have gone very slow in regard to that matter.

Sir HENRY DRAYTON: We have the Detroit situation, the haul from Detroit.

Mr. DALRYMPLE: The general situation is influenced by water competition, in regard to picking up, specially.

Sir HENRY DRAYTON: In regard to picking up at any point here and there, your general schedule has been drawn having regard to that situation.

Mr. DALRYMPLE: Quite so.

Mr. HARRIS: With regard to the traffic into the city of Toronto and the mileage from Toronto as a centre, and to the suburban stations such as "The Don" and "Danforth" and so on around the town, the mileage to such a station is added on to the mileage which was enforced previously to September. For instance, 39.2 mileage from Hamilton to Toronto; that is now 40.1 or 40.2, with the result that all the freight rates have advanced for all the suburban parts of Toronto, with this direct result, from my own personal knowledge, that freight on the C.N.R. has been substituted by one or two firms, by a motor truck service. A cent and a half is charged, just enough to compete with shipping by freight.

Mr. DALRYMPLE: That is not quite in accord with a report that I have received, Mr. Harris. The matter of the difference to which you refer is really not the deciding factor. We would have to go a good deal further than that difference in order to hold it as against truck competition. It is a fact that in the rearrangement of our schedule, taking the mileage rate, in order to comply with the Act, we had to make a change, we found we were not strictly in accord with the Act in that particular territory.

Sir HENRY DRAYTON: You are not making that on constructive mileage, are you?

Mr. DALRYMPLE: Not yet.

Sir HENRY DRAYTON: Your constructive mileage from Winnipeg to the head of the lakes still stands?

Mr. DALRYMPLE: Not on the mileage tariff. We have the actual mileage on that. I do not know that we have any traffic moving on that.

Mr. HARRIS: The same situation applies at various towns such as Aurora, which is beyond the ten-mile limit.

Mr. DALRYMPLE: We found it necessary to give instructions in accordance with the mileage tariff, that the actual mileage in accordance with the road haul would have to be used.

Mr. HARRIS: That is a serious thing in Toronto. It was during the last winter.

The CHAIRMAN: Any further discussion in regard to motor trucks? Next, the item of "Traffic Expenditures." We discussed the first two or three items yesterday; "Superintendence," "Outside Agencies." Perhaps there are more important ones yet. This is on page 20. No. 353, "Advertising," and 356, "Colonization, Agriculture and Natural Resources."

Sir HENRY DRAYTON: We do not need to discuss "advertising." The president has a reason for not making public everything that has been done there, and formerly it has been referred to a small sub-committee each year. Last year that was composed of Mr. Stewart, and the member for Prince Rupert, and myself. Would you like to follow that policy this year? Except that I do not want to go on it.

Mr. DALRYMPLE: Mr. Chairman, may I answer now a question that was asked yesterday? The Canadian National Railways, and the Grand Trunk Railways System maintain so-called outside agencies on salary basis at the following points. (Reads):

The Canadian National Railways—G.T. Ry. System—maintain so-called outside agencies, on salary basis, at the following points:

Freight

London, Eng.
Liverpool, Eng.
Manchester, Eng.
Southampton, Eng.
Cardiff, Wales.
Antwerp, Belgium.
Paris, France.
Glasgow, Scotland.
Sydney, Australia.
Wellington, New Zealand.

Hong Kong
Shanghai, China.

Boston, Mass.

Cincinnati, Ohio.
Cleveland, Ohio.

Passenger

London, Eng.
Liverpool, Eng.
Manchester, Eng.
Southampton, Eng.
Cardiff, Wales.
Paris, France.
Glasgow, Scotland.
Belfast, Ireland.
Sydney, Australia.
Wellington, New Zealand.
Auckland, New Zealand.

Hong Kong
Shanghai, China.
Belleville, Ont.
Boston, Mass.
Brandon, Man.
Brantford, Ont.
Brockville, Ont.
Buffalo, N.Y.
Calgary, Alta.
Chicago, Ill.
Cincinnati, Ohio.
Cleveland, Ohio.
Detroit, Mich.
Duluth, Minn.
Edmonton, Alta.

<i>Freight</i>	<i>Passenger</i>
Cleveland, Ohio— <i>Con.</i>	Grand Rapids, Mich.
	Guelph, Ont.
	Hamilton, Ont.
	Halifax, N.S.
Kansas City, Mo.	Kansas City, Mo.
	London, Ont.
Los Angeles, Cal.	Los Angeles, Cal.
Minneapolis, Minn.	Minneapolis, Minn.
	Montreal, Que.
New York, N.Y.	New York, N.Y.
New Haven, Conn.	
	North Bay, Ont.
Omaha, Neb.	
	Ottawa, Ont.
	Peterboro, Ont.
Philadelphia, Pa.	Philadelphia, Pa.
Pittsburgh, Pa.	Pittsburgh, Pa.
Portland, Oregon.	Portland, Oregon.
	Quebec, Que.
	Regina, Sask.
San Francisco, Cal.	San Francisco, Cal.
	Saskatoon, Sask.
Seattle, Wash.	Seattle, Wash.
	Sherbrooke, Que.
	St. Catharines.
	Saint John, N.B.
St. Johns, Nfld.	St. Johns, Nfld.
St. Louis, Mo.	St. Louis, Mo.
St. Paul, Minn.	St. Paul, Minn.
	Sudbury, Ont.
Toledo, Ohio.	
	Toronto, Ont.
	Vancouver, B.C.
	Victoria, B.C.
	Windsor, Ont.
	Winnipeg, Man.
	Woodstock, Ont.
Windsor, Ont.	

In addition to the foregoing there are various agencies throughout Canada, United States and Europe on a commission basis, as to passenger business.

The CHAIRMAN: I suppose these are conducted in connection with the Merchant Marine?

Mr. DALRYMPLE: All of these agencies, the employees of the Canadian National Railways and Grand Trunk Railway System, on freight business, represent the Canadian Government Merchant Marine. These which I have listed here specifically, are on a salary basis. In addition, to the foregoing, there are various agencies in Canada, the United States and Europe on a commission basis, as to passenger business.

Mr. HARRIS: Passenger business only?

Mr. DALRYMPLE: Yes.

The CHAIRMAN: Do you wish to make any further comments which are not included in the statement, Mr. Dalrymple?

Mr. DALRYMPLE: I have nothing to say on that. I have answered the question.

The CHAIRMAN: Then the next item is "Advertising." Sir Henry Drayton has made the suggestion, that it be referred to a sub-committee. What is the pleasure of the Committee?

Sir EUGENE Fiset: What good did the sub-committee do last year?

Sir HENRY DRAYTON: The sub-committee thought that everything was all right and let it go.

The CHAIRMAN: This Committee itself has been reduced this year still more. Unless there is a motion to that effect, we will pass on.

Sir HENRY DRAYTON: I move that we appoint a sub-committee. I do not want to go on it myself. I suggest Mr. Harris, General Fiset and Mr. Jelliff.

The CHAIRMAN: You might perhaps instruct the Committee in their duties, Sir Henry.

Sir HENRY DRAYTON: The Committee considers all the different ways in which money is spent for advertising. They are furnished with a list which covers newspapers, paid advertisements, the amounts looked after by transportation, the different contracts which are akin to advertising contracts, the different contracts for job printing, and the like. I have no doubt such a list is being prepared, and the work of the Committee in scrutinizing it will only take a little while. The management object to making that list public.

The CHAIRMAN: Who are you naming, Sir Henry?

Sir HENRY DRAYTON: Mr. Harris, whom I had suggested, says he is going to be out of town. I suggest General Clark then.

The CHAIRMAN: It is moved by Sir Henry Drayton, seconded by Mr. Heaps, that a sub-committee on advertising be appointed to consist of General Fiset, General Clark, and Mr. Jelliff.

Sir HENRY THORNTON: Who is Chairman of that Committee?

Sir HENRY DRAYTON: They are all chairmen.

The CHAIRMAN: The next item is "Radio."

Sir HENRY DRAYTON: That item of "Radio" should go in with "Advertising."

Mr. HARRIS: I think we should have a statement in regard to the increases in radio.

Sir HENRY THORNTON: Yes, we have that.

The CHAIRMAN: Is that included in your statement of increases?

Mr. HENRY: No.

Sir HENRY THORNTON: I do not care much how we handle this, but I was wondering if we could not perhaps give this to the "advertising" committee.

Mr. JELLIFF: I think it would be as well.

Sir HENRY THORNTON: The increase is due to opening two new stations, one at Moncton and one at Vancouver.

Mr. HARRIS: That is enough, Sir Henry.

Sir EUGENE Fiset: If the statement is satisfactory to the Committee, why submit it to the sub-Committee?

Sir HENRY DRAYTON: It is part of the "Advertising." It will not take the sub-Committee long.

Sir HENRY THORNTON: No, it is very simple.

The CHAIRMAN: The next item is 354, "Traffic Associations."

Mr. DALRYMPLE: That was explained last year, and as there is a decrease, I presume it is all right.

The CHAIRMAN: 356, "Industrial Bureau."

Sir HENRY THORNTON: That is a small increase.

The CHAIRMAN: Is there an error in that 356?

Mr. DALRYMPLE: No, it is subdivided.

Sir HENRY THORNTON: Dr. Black, will you tell the Committee all about colonization?

Sir HENRY DRAYTON: Do not give him such a general order.

Sir HENRY THORNTON: We would like particularly to understand about the increase of \$56,800.

Dr. W. J. BLACK (Manager, Colonization Department): That increase is due, in a small measure, to expansion on the part of the colonization department in the last year; but it is due more particularly to two or three items over which the Colonization Department directly has not had control. For instance, there is \$10,081 charged to "Colonization" in 1925 for expenses in connection with colonization work.

Sir HENRY THORNTON: That is not a recurrent feature, that disappears.

Dr. BLACK: Yes. There was not an equivalent charge in 1924, so that represents the increase. Then at London the expenses of the Canadian National offices in general have been redistributed and colonization has assumed the share of the general expenses of the office, which in 1924 was not charged to it.

The CHAIRMAN: How much was that.

Dr. BLACK: That amounted to \$18,702.

Mr. HEAPS: Was not a reduction shown in the other part of the expenditures?

Dr. BLACK: I am not aware of that.

Sir HENRY THORNTON: There would be a corresponding reduction, would there not?

Dr. DALRYMPLE: I hardly think so in this particular case, for the reason that the organization on the other side was extended somewhat.

Sir HENRY THORNTON: Yes, that is true.

Sir EUGENE FISER: Will you explain, sir, why this is called "Colonization"?

The CHAIRMAN: Just a moment. He is explaining the increase. Perhaps you might let him finish that, and then we may have a general discussion.

Dr. BLACK: There is also a change at Toronto, in connection with the development department, in which there are nearly \$10,000 charged to colonization there, which the year before was not. The year before it was distributed to other departments. These amounts took care of the increase referred to.

Mr. POWER: This change was at Toronto, did you say?

Dr. BLACK: Yes.

Mr. POWER: What colonization goes on in Toronto?

Dr. BLACK: It is not colonization, it is development. We have under this item "Agriculture and Natural Resources" including "Development" as well. It is not directly "Colonization."

Mr. POWER: Is it a new office established at Toronto?

Dr. BLACK: Oh, no. Mr. Henry I think can perhaps explain that.

Mr. HENRY: It was a rearrangement of the services of the Toronto office, which was in existence before. It was charged to this account. 75 per cent of it was charged to this account in 1925. It was not charged to this account in 1924.

Sir HENRY THORNTON: It was a rearrangement of charges, to bring the charges more closely in keeping with the accounting rules.

Mr. POWER: I must admit that I do not know now what you are talking about.

Dr. BLACK: A representative of the Toronto office, prior to this year, was giving attention I believe, to a station at Foley, Ont., was it not, where ties were being gotten out and work of that kind done. That was discontinued and the office is giving practically all its time now to the development of natural resources, along the lines in Northern Ontario and Northern Quebec, and on that account, since the activities of the office are mainly in connection with our department, 75 per cent of the charges have been transferred over to us.

The CHAIRMAN: General Fiset I think had a question.

Sir EUGENE Fiset: I want to know what "Colonization" means?

Mr. POWER: I think for the benefit of those of us who were not members of this Committee before, it might be well to let us know what this department tries to do, and if it is accomplishing anything, what it does accomplish.

Sir HENRY THORNTON: Dr. Black will tell you that. Will you answer as to the activities of the Colonization Department, Doctor?

Dr. BLACK: Primarily it is for the encouragement of the settlement of people along the lines of the Canadian National, especially on lands that have not previously been occupied. The object of course, is quite obvious, to increase traffic along our lines. Primarily, that is the object. And in the effort to get people into this country who will settle on those lands, and along those lines, along the lines of the railway, and not only settle themselves on the land, but also farm workers who will come in to supply the demand for farm help along our lines, so that agriculture may be increased, and traffic increased as a result. We are more active perhaps in the British Isles than anywhere else, and in the United States. We are as active in the United States as the responses to our efforts there we think have justified. We have offices in Copenhagen, Denmark, and in Oslo, in Norway, and Rotterdam in Holland. We have field representatives travelling throughout the other countries in Europe.

Sir EUGENE Fiset: It is all part of our immigration system?

Mr. BLACK: We are correlated largely with the immigration system. We are not dislocating their efforts. For instance, the men we have travelling in Europe are operating in fields in which the Dominion Department of Immigration is not operating at all; neither have they offices at Copenhagen and Oslo.

Mr. POWER: Is there any overlapping?

Mr. BLACK: No.

Sir EUGENE Fiset: If you sell a piece of land to a settler outright, where do the proceeds of the sale go.

Mr. BLACK: If it is Canadian National Railway land, it goes into the funds of the Land Department.

Sir EUGENE Fiset: Is it used by the Canadian National, or is it credited to the Receiver General?

Mr. BLACK: That is a matter for the Finance Department to say.

Sir HENRY DRAYTON: It goes to the company.

Sir EUGENE Fiset: We had a case the other day of the sale of ships, where the money went to the Receiver General, and the Canadian National was deprived of it.

Sir HENRY THORNTON: If the land is the property of the company, it goes into the resources of the company.

Mr. JELLIFF: Can you tell us how many immigrants, especially how many settlers, you brought in last year?

Mr. BLACK: We have been getting our organization overseas under way. I think you understand the temperament of the people on the other side of the Atlantic. You see many of them who come to this side. They do not respond as quickly to an effort that is made as people on this continent do,

but our efforts have shown increasing results from time to time. Now, during the calendar year of 1925, we can show between 9,000 and 10,000 people who came here directly by our own efforts. There were also a very great number of people who came indirectly, under our efforts, whom we cannot trace, and whom we do not attempt to take credit for. For instance, our solicitor may work in conjunction in the British Isles with the Canadian Government officials. They may persuade a man to come to Canada, and he goes down to some booking agent. The booking agent sells him a ticket over some steamship line, and he comes to Canada and we have no further track of him. We do not take credit for him, but we do know and can definitely take credit for between 9,000 and 10,000 people whom we brought to Canada last year. I might say that I presume it is the work of the calendar year 1925 upon which we are reporting, but for the first four months of 1926, we have a response of over 100 per cent more than our response over the same period last year. The Canadian National Railway has handled 125 per cent more third class passengers during the four months in this year than the four months of last year.

Mr. JOHNSTON: Are you speaking for the British Isles?

Mr. BLACK: I mean those who have crossed the Atlantic.

Sir HENRY DRAYTON: From where did you get your 9,000 people? That would be interesting.

Mr. BLACK: I have a list here. 1,275 of the number were secured through our office in London; 1,282 through the office in Glasgow, 1,364 through the offices in Liverpool and Belfast; they reported jointly; 1,168 through the office in Oslo.

Sir HENRY DRAYTON: That is in Norway?

Mr. BLACK: Yes.

Sir HENRY DRAYTON: Oslo is the renamed capital?

Mr. BLACK: Yes, Christiania. From Copenhagen we have 464. Our efforts in Denmark met with very strong opposition because of adverse propaganda. In Rotterdam our response was even worse. Our response was only 98 directly by our own efforts. Of course, we are just starting. This year it is much better. From the continent we have 6,931.

Sir HENRY DRAYTON: Made up from what points?

Mr. BLACK: Made up from countries other than the countries of the continent which I have mentioned, that is, Scandinavian countries and Holland. Made up from Belgium, Switzerland, a few from France—not many.

Sir HENRY DRAYTON: Not many from France. I thought they had a law against it.

Mr. BLACK: They have no objection to the people leaving on their own account, but they have a law against our doing propaganda work.

Sir HENRY DRAYTON: Particularly in France, where they need population so badly.

Mr. BLACK: Yes.

Sir HENRY DRAYTON: How many did you get from France?

Mr. BLACK: I have not the exact figures, but it would be very small; it would be less than 100. Of course, a good many of the continental people pass through Paris, and some of them are examined in Paris as to their fitness to proceed.

Sir HENRY DRAYTON: Who examines them there?

Mr. BLACK: We have an officer who has been there for a considerable time, a traffic man who has been doing our work—Mr. Regimay.

Sir HENRY DRAYTON: How many did he examine and pass?

Mr. BLACK: I have not those details here.

The CHAIRMAN: Any other questions on this item?

Mr. POWER: Where do the immigrants go?

Mr. JELLIFF: I would like to have Mr. Black go on and tell us more of this,—from where he gets these men.

Mr. BLACK: We also get a number from Czecho-Slovakia.

Mr. JELLIFF: Have you the number?

Mr. BLACK: I have not got it here.

Sir HENRY DRAYTON: Could you not put in a statement giving these particulars?

Mr. BLACK: I could let the committee have it later. I think perhaps we can get these records approximately correct.

The CHAIRMAN: Can we have it this week?

Mr. BLACK: Yes.

Sir EUGENE Fiset: And the distribution in Canada, for example.

Mr. BLACK: It is very difficult to give the distribution, except approximately.

Sir HENRY DRAYTON: How did you get along with your efforts in New Brunswick and Nova Scotia? You will remember a year or two ago there were a lot of vacant farms down there, and the Nova Scotia people and the New Brunswick people felt they were being very badly treated, and nothing was being done for them. I think you were going down there.

Mr. BLACK: I went down there and looked over these vacant farms, and found they were approximately as represented. That is, a great many of them were of a character sufficiently promising to justify settlers going on to them. I also found that the prices at which they were available were, generally speaking, reasonable, and we have made an effort to get people from the other side to come and settle on these farms, but the great difficulty in the matter is that these farms are not available without a fair down payment, probably one-quarter or one-fifth of the total price. The people we can get from the other side for the most part, have not large sums of money. Moreover, the Canadian Department of Immigration has been settling 3,000 British families under conditions that are a little more favourable than those under which our settlers could be placed upon these farms, and we found it difficult to get them to settle on these farms. But we have placed one of our officers, within the last few months, at Moncton, to give personal attention to the conditions there, and this year the situation is much more hopeful. We have been placing a few families in Prince Edward Island and Nova Scotia, and also a number of workers on farms in the Maritime Provinces, and we hope to develop that with the co-operation of the provincial authorities.

It is very difficult under these conditions to make very great headway, without the co-operation of the provincial authorities, and I might say that under existing conditions, people from Europe do not come right out here and immediately buy a farm and farm it, but what they want to do is, as a rule, to come into the country, work on a farm for a while, until they get accustomed to conditions, and then settle on the farm.

Sir HENRY DRAYTON: It is very much better.

Mr. BLACK: It is very much better, and safer. We find difficulty in the Maritimes in finding farmers who will take this help, but we have been getting up steam in the last few months, and paying a great deal of attention to the Maritime Provinces. In fact, I sent our Maritime Province man to the British Isles to collect a party, and make sure he would get people for the Maritime

Provinces, and he made arrangements, and came back, and I had a telegram from him about two or three weeks ago asking me to cable London not to send any more to the Maritime Provinces, because he could not take care of them.

The CHAIRMAN: How many have been placed?

Mr. BLACK: About 100 this year.

Sir HENRY THORNTON: Well, it is moving.

Sir HENRY DRAYTON: Yes, it is starting.

Mr. JELLIFF: How many of these have been placed along your own line?

Mr. BLACK: It is very difficult to arrive at that figure.

Mr. JELLIFF: Give it to us approximately.

Mr. BLACK: What is happening now is that this year, settlers are becoming located along our line, who arrived in Canada last year, and the year before, and the year before that. When a settler does locate along our line it is sometimes just a little difficult to determine whether he is ours, or partly someone else's, and it is not easy to collect data that can be said to be sufficiently reliable to be informative.

Mr. JELLIFF: Can you tell us what you do when you secure a settler along the line, in the way of following him up?

Mr. BLACK: Yes. The first step we usually take is to put him in touch with the provincial authorities, with the provincial Department of Agriculture. If the provincial Department of Agriculture has a local representative in that territory, we have him put him on the list, and call upon him, and keep him advised. Then we check him insofar as we reasonably can, and we aim to do that, and have that follow-up carried on largely through the provincial people. I may say that in every province in Canada they have shown a very great readiness to co-operate with us in that way. You will understand that this follow-up work is very extensive. If we were to attempt to put on representatives to follow-up these people, in a large way, so that we could report definitely that we had done it in most cases, it would be very expensive, so we aim to do it by these other agencies covering the ground.

Mr. JELLIFF: Can you give us any estimate of the number of immigrants who were farmers in the Old Country?

Mr. BLACK: We are not bringing to Canada a single person, unless they agree to engage in farming, with this very rare exception; if we happen to know of a place that is available for a man, and we have a man on the other side to fill that particular place, we may get him. For instance, we have had requests from some of the banks to locate bankers, and we have been able to do that. Sometimes we get a half dozen from Scotland.

Mr. JELLIFF: I wish you would locate some more bankers out in our country.

Mr. BLACK: You mean with money?

Mr. HEAPS: How many of these people actually locate on the farm after they get here?

Mr. BLACK: Well, that is very difficult to answer, of course, but I might add to what I have already intimated that we are not bringing in any here who do not agree to go on the land. Now, for instance, take this year: we have from the continent of Europe—from what are called the non-preferred countries by the Department of Immigration—we are bringing a certain number of people, and not a single one of them is being brought here except with the understanding, which amounts in effect to a contract, that they will engage in agriculture only. I may say that steps are under way at the present time to send back a few of these people, whom we have found did not wish to go on the

land, in order that those on the other side intending to come to Canada, will understand that if they come here, they will have to farm, or else go back home.

The CHAIRMAN: You say you don't bring in any unless under agreement to go on the land? Does that go so far as to insist that they have a definite place to go to, or is it just a general declaration that they will go on the land?

Mr. BLACK: It is difficult for us to have a definite place for them to go, but we have been doing what we can to find them a place on the farms along our line.

The CHAIRMAN: The Immigration Department allows you to bring them in, even if you do not know exactly where they are going?

Mr. BLACK: We are under agreement with the Department of Agriculture to find a place for every man we bring over.

Hon. Mr. DUNNING: You are responsible for finding a place for them?

Mr. BLACK: Yes.

The CHAIRMAN: They are very strict in other respects; they do not allow them in unless they know what farm they are going to.

Mr. BLACK: We accept that situation, and it is working out very well.

Mr. HEAPS: I had a case brought to my attention yesterday; a party came from Toronto to Ottawa, who was one of quite a number who came to Canada to work on farms—I am not saying they came through your agency, Dr. Black—and the railway conveyed them to certain places, where they were dumped, and expected to find work. They found no work. They subsequently drifted back to the city of Winnipeg, and are there at the present time, anxious to go on farms, but unable to find work.

Sir HENRY THORNTON: How many were there?

Mr. HEAPS: I cannot say.

Mr. BLACK: That is quite possible. The Department of Colonization is following up that kind of cases, to place the responsibility. I may say, as an example, we had this incident: there were applications from a steamship company last week; they wanted to bring out twenty people to place in the Eastern Townships. In accordance with our practice of making a very careful check of such applications, we sent out, and found there was not a single one of those applications that was genuine. The farmers had agreed to take them, and signed applications, but they signed on the understanding that they were not going to pay wages.

Mr. HEAPS: I think it is the duty of your department, as much as possible, to check that sort of thing.

Mr. BLACK: We refused to bring out these people at all, and they can not be brought out by the steamship company, under the existing arrangement, except under the auspices of the colonization departments of the two railways.

The CHAIRMAN: In which case, does the Colonization Department become responsible for carrying that out?

Mr. BLACK: Yes, that is quite right.

Mr. JOHNSON: You said it was difficult to follow the activities of these people once they were placed. That is easy to understand. Do you find that many of them return to the Old Country?

Mr. BLACK: There is not much tendency for the European, in Canada, to return to the country of his origin. There are a few cases, but, generally speaking, the movement is not great. The tendency in the United States to-day is, as soon as the European gathers together what is a reasonable fortune in his own country, he returns to from whence he came. There are more Europeans leaving the United States to-day than are entering.

Mr. JOHNSON: Particularly Italians.

Mr. BLACK: Yes.

Mr. JELLIFF: Do you find a tendency for them to cross over to the United States?

Mr. BLACK: A good many are anxious to do that.

Mr. JELLIFF: How are you stopping them?

Mr. BLACK: The Department of Immigration of Canada and the Department of Immigration of United States are co-operating in regard to it; we are not accepting any application for the movement to Canada of any settler if we have reason to believe his ultimate destination is the United States. That is the most we can do in the matter. Still, some do get across, and go there on account of the high wages that are paid in some places over there.

Mr. JELLIFF: Can you tell how many farms the Canadian National Railways sold last year?

Mr. HENRY: I would refer you to page 9.

Mr. JELLIFF: Will you give us an idea of the number of individual farms?

Mr. BLACK: You refer to Canadian National Railways land only?

Mr. JELLIFF: Yes.

Mr. BLACK: I have not got that separately. The acreage which is shown in the report represents the acreage of the actual farms. That is made up of farms we sold, and land owned by others, adjacent to our land, which we have sold. I may say that we have, in the Department, what is called the "Canadian National Land Settlement Association"; it is an instrument which enables us to list land along our line that we do not own, but which we may sell as the opportunity offers; that is to say, if we have a good piece of land in a certain territory, adjacent to our land, which is available, our officers who are engaged in the business can sell that parcel of land, and it enables us to get a commission.

Mr. JELLIFF: Can you give us any information as to those sales?

Mr. BLACK: I will have to send that along with the other information asked for.

Mr. JELLIFF: How much settlement are we getting along the Canadian National Railway lines? That is what I am anxious about.

Mr. JOHNSON: This figure in the General Report, 66,667 acres, is that Canadian National lands only?

Mr. BLACK: Yes.

Mr. JOHNSON: That is 200 farms of 320 acres?

Sir HENRY THORNTON: That is about what it would be.

The CHAIRMAN: Are we through with that item, gentlemen? Let us pass on to "Stationery and Printing."

Sir HENRY DRAYTON: That goes.

Mr. DALRYMPLE: The entire amount of the increase is included in the total for the year 1925.

Sir HENRY DRAYTON: That is one place where our costs are not coming down. The comparison of costs that Sir Henry Thornton made in his opening remarks was a comparison of costs for the years 1924-1925. Of course, there is a very much smaller business being done, and you would naturally expect some increase in cost, as compared with larger business. The business of 1925 was not as great as the business of 1926; it was much nearer the business done in 1924; it was getting up to the volume of business done in 1923. For example, in connection with "Maintenance of Equipment", looking at this very page, we are down from \$52,000,000 to \$47,000,000; and it runs pretty well through the whole way.

"Maintenance of Way and Structures", it is down from \$44,717,000 to \$43,006,000. And it carries out everywhere; you will find it chiefly marked in the "Railway Operating Expenses", where they dropped from \$120,000,000 to \$106,000,000. The only places where we have not economized really are "Traffic" and "General Office Expenses". Of course, the cost of printing has jumped up to over \$20,000.

Mr. DALRYMPLE: That is compared with 1923.

Sir HENRY DRAYTON: Yes, when you had comparatively the same volume. The other expenses, for example, "Traffic", have jumped from \$27,000 to \$93,000.

Mr. DALRYMPLE: There is an increase of \$44,000. That is as a result of a certain transaction that the company entered into in the fall of 1924, the particulars of which I will be glad to give privately to the Committee.

Sir HENRY DRAYTON: That is what I say. I suggest there are other items of expenditure which should go to the Committee.

The CHAIRMAN: On page 21, "Transportation Rail Line," do you want to have a general discussion as to that?

Sir HENRY DRAYTON: I see no reason to discuss it item by item.

Mr. HEAPS: Item No. 420 "Injuries to Persons"; I see a very large reduction as compared with year ending 1924. I should like to ask if the company carries its own insurance?

Sir HENRY THORNTON: The company does not carry any insurance against injury to persons; it carries fire insurance.

Sir HENRY DRAYTON: That is not with reference to employees; that is in respect of accidents. It is something that varies from year to year. For example, with the great deal larger amount of business in 1923, the costs under that heading, in 1923, were \$777,000, as compared with \$989,000 in 1924; and there was nothing with which to blame the company.

Sir HENRY THORNTON: The railway company may have the misfortune to have one serious passenger wreck, which would increase that item.

Sir HENRY DRAYTON: There is a large increase in business in 1923, as against 1924, and yet the costs, under that head, in 1924, were \$989,000—nearly a million—as against \$777,000 in 1923. That is an accident.

Mr. HEAPS: I was under the impression it was a form of workmen's compensation, but it is not.

Sir HENRY DRAYTON: Really, the one thing we can look to with real satisfaction is the saving that has been made in coal, that was brought about between 1923 and 1925, amounting to \$6,721,000.

Mr. HEAPS: How is that accounted for?

The CHAIRMAN: And that saving has improved, as between 1924 and 1925.

Sir HENRY THORNTON: It is due to more efficient firing; and in part to lower costs. As far as transportation expenses are concerned, the transportation ratio has dropped from 47.18 in 1923, to 43.46 in 1925. That fall is by no means yet exhausted. It does show a saving of 4 per cent of gross earnings, which means a considerable figure.

Sir HENRY DRAYTON: That is where the great thing is in connection with "Operating Ratio". I should like to know how that compares, throughout the country, having regard to regions.

Mr. HENRY: I can give it to you by regions.

Sir HENRY DRAYTON: That is the best part of the railways operation.

Sir HENRY THORNTON: Money saved in "Maintenance of Ways and Structures" or "Traffic Expenses" may not be money wisely saved, but everything that is saved in "Transportation Expenses" must be wisely saved.

Sir HENRY DRAYTON: We might have a statement of statistics put in, showing the "Receipts and Expenses" by regions, and the "Operating Ratio". We had that last year.

The CHAIRMAN: Put it into the record. Is it all right to pass on? The next page is "Miscellaneous Operations". Is there any question as to that? "Dining and Buffet Service"; "Restaurants"; "Grain Elevators".

Sir HENRY DRAYTON: I suppose we will always have to go on losing money in regard to dining cars?

Sir HENRY THORNTON: Well, I find there is a good deal of doubt in regard to the dining car situation. Unfortunately, on this side of the Atlantic, practically no railroad seems to make any money out of the dining car service. We adopted, at one time, Table d'Hote menus as compared with a la Carte; but it did not go.

Mr. POWER: They have it on the I. C. R.

Sir HENRY THORNTON: We tried it, but apparently it did not work.

Sir HENRY DRAYTON: My figures were submitted to Mr. Henry, for 1924 costs. It took \$1.45 to earn \$1.00 on the dining and buffet cars. For 1925, it cost \$1.37 to earn \$1.00. That is a difference of about eight cents.

Sir HENRY THORNTON: I think we may be able to break even.

Mr. JELLIFF: How are you getting on with the hotels?

Sir HENRY THORNTON: I will tell you that in a minute.

The CHAIRMAN: Does not it come under the item of "Restaurants"?

Sir HENRY THORNTON: In 1925, the total deficit from the hotels, that is operating deficits, amounted to \$76,365.55.

Sir HENRY DRAYTON: Your classification of "Operation" includes taxes?

Mr. HENRY: That is correct.

Sir HENRY THORNTON: In 1924, the operating deficit was practically \$300,000; so it was reduced from \$300,000 in 1924 to \$76,000 in 1925.

Sir HENRY DRAYTON: What hotels were run at a loss?

Sir HENRY THORNTON: The hotels that were run at an operating profit were the "Chateau Laurier," \$54,161. There was an increase in taxes of from practically \$20,000 to \$34,000. That is included in the figure I have given you. Nominigan Camp, Minaki Camp, Prince Arthur Hotel.

Sir HENRY DRAYTON: How much in each case?

The CHAIRMAN: Just file it.

Sir HENRY THORNTON: I will tell you briefly the hotels at which we made money. Prince Arthur Hotel, Jasper Park Lodge, Grand Beach Hotel,—that is near Winnipeg—and incidentally, it is interesting to note that the loss in regard to Fort Garry was reduced from \$194,000 to \$80,000. I think we will probably break even in regard to that hotel.

Sir HENRY DRAYTON: What about the "MacDonald"?

Sir HENRY THORNTON: There was a loss of \$50,000 last year, and \$55,000 the year before. I think we will break even on the hotels as a whole this year.

Sir HENRY DRAYTON: Apart from the interest account.

Sir HENRY THORNTON: Yes, always apart from the interest account.

Sir HENRY DRAYTON: What is the amount of the investment?

Mr. HENRY: I would not like to venture any statement.

Sir HENRY DRAYTON: Will you put in a statement?

Mr. JELLIFF: Is it the purpose to enlarge any of the hotels, or build any new hotels?

Sir HENRY THORNTON: Something has to be done with the "Chateau Laurier" in Ottawa; in the interests of the company, and also in the interests of upholding the prestige of the Capital of the Dominion, but chiefly to make more money for ourselves. We feel there must be an enlargement of a couple of hundred rooms to the "Chateau Laurier." We have had people sleeping in sleeping cars at the station, and have had beds all over the place. We have in mind such an addition to the "Chateau Laurier."

The CHAIRMAN: Would the overhead be relatively smaller?

Sir HENRY THORNTON: We would pay no more than 5 per cent on the cost of the investment.

Sir HENRY DRAYTON: What is the investment per room of that hotel, \$7,500?

Sir HENRY THORNTON: Something like that.

Mr. HENRY: About \$7,000.

Hon. Mr. DUNNING: The investment per room is out of proportion with other hotels in Canada.

Sir HENRY THORNTON: In Ottawa, there is a profitable hotel field, which ought to be protected, as far as we are concerned.

The CHAIRMAN: Would it be advisable to build a new addition to the "Chateau Laurier" if the new hotel that is proposed for Ottawa, is constructed.

Sir HENRY THORNTON: If they build a new hotel in Ottawa, we will build our addition, and will put them out of business.

Mr. JELLIFF: Is there any truth in the rumour that you will build a hotel in Vancouver?

Sir HENRY THORNTON: It is a subject of discussion between ourselves and the people of Vancouver; no decision has been reached.

Mr. CLARKE: There is a hotel going up opposite the Hotel Vancouver on the corner of Georgia and Howe streets.

Sir HENRY THORNTON: I did not know anything about it until the other day; we are now seeking information.

Mr. CLARK: The ground was cleared when I left, and plans were published and there was a feeling that possibly there might be some working arrangement between the owners of that hotel and the Canadian National Railways.

Hon. Mr. DUNNING: Can you tell us what the size of it is?

Mr. CLARK: Eleven storeys, if I remember correctly, and the land is about 132 feet by 100.

The CHAIRMAN: How many rooms?

Mr. CLARK: I cannot give you that, but you can figure it yourself, eleven storeys, and said to be a large and first class hotel, and very well located.

Sir HENRY THORNTON: I do not know anything about the hotel, except that I heard the other day that this hotel was being built and we asked for information.

The CHAIRMAN: If the National Railways were building it, you would know?

Sir HENRY THORNTON: We have nothing to do with it.

Mr. CLARK: The directors are well known local men and there was a report that there might be a working arrangement.

Hon. Mr. DUNNING: It might not be amiss to say that hotels do give some concern to the management of the road, and to the government administering it. It is fair to ask you, Sir Henry, if in the opinion of the management of the Railway, the operation of the hotel at Vancouver would be a good thing for the system?

Sir HENRY THORNTON: I think it would be an admirable thing.

The CHAIRMAN: The next item is "Grain Elevators." Any questions on that? It is at page 22. The next is 446, "Other Miscellaneous Operations." The next division is "General Expenses." The first item is, "Salaries and expenses of General Officers," and the next "Salaries and Expenses of Clerks and Attendants."

Sir HENRY DRAYTON: Are you still very backward in discussing the amount of salaries paid, Sir Henry?

Sir HENRY THORNTON: Up to a point. I want to give you all the information I can, and I want to co-operate fully with you.

Mr. POWER: We heard enough about Sir Henry's own salary last August.

Sir HENRY THORNTON: I would like to give the Committee all the information they want which is reasonable and fair.

Sir HENRY DRAYTON: The objection to giving information about salaries was that it was not fair to people getting them to say they were only making that much and no more.

Sir HENRY THORNTON: Well, I hope they are making no more.

Sir HENRY DRAYTON: Under what point will that come in?

Sir HENRY THORNTON: If there is any question you want to ask, Sir Henry, I will try to answer it.

Sir HENRY DRAYTON: "General Expenses," is the only thing that I do not think you are making the same success with that you are with the others. I am giving you the full credit where the figures show a credit, but we are not getting the same drop in expenses here. For example in, No. 451, "Salaries and Expenses of General Officers."

Hon. Mr. DUNNING: There is a reduction there from \$990,000 to \$986,000.

Sir HENRY DRAYTON: In 1923, which was our peak year, \$947,000, now, \$986,000. Frankly, I think we might be making a better showing than that.

Hon. Mr. DUNNING: You do not suggest that it is possible to relate the salaries of the general officers to the fluctuations of the business exactly from year to year?

Sir HENRY DRAYTON: I do, in certain cases. For example, the superintendence.

The CHAIRMAN: Last year there is actually a little decrease.

Hon. Mr. DUNNING: This is not superintendence. "Superintendence" is under "Transportation Rail Lines."

Sir HENRY DRAYTON: You get a certain amount of superintendence running right into the general officers. You have people there checking other people up. There is some criticism there of "superintendence."

The CHAIRMAN: Sir Henry might tell us what general officers are. What is included in that item?

Sir HENRY THORNTON: Under "Salaries and Expenses of General Officers" are those officers who are engaged in the general conduct of the company's business, as distinguished from some specific duty. For instance, the wages of the yard conductor are charged to "Yard Conductors' Wages," under the "Transportation" account. The salary of a legal vice-president, or traffic vice-president, is charged to general expenses because he has charge of all matters in his department over the whole of the railway.

The CHAIRMAN: You have a reduction of \$487,000 on the items of "Salaries and Expenses of Clerks and Attendants." How do you account for that?

Mr. HENRY: That is more of an accounting adjustment. There is a decrease of \$770,000 in the accounting department, due to reduction of staff.

Under the charges to "Maintenance and Equipment," there is a further decrease of \$265,000 in respect to pay rolls of the accountant's department charged to this account in 1924, but charged to account "371" in 1925.

The CHAIRMAN: Except for those adjustments would the amounts be about the same?

Mr. HENRY: Relatively, yes. There is \$77,000 of a reduction really.

Sir HENRY THORNTON: Unfortunately, our corporate structure is such, due to the large number of different corporations which are included in the Canadian National Railways, that our accounting system is expensive and cumbersome, and will remain expensive and cumbersome until the financial structure can be simplified.

Sir HENRY DRAYTON: Supposing we stop there for a minute, and observe how that works out. The logical sequence of that is that instead of having a large economy there of \$480,000, we have a reduction in what was formerly charged to "General Expenses" only, of \$77,000, and the balance charged to another account.

Sir HENRY THORNTON: That is right.

Sir HENRY DRAYTON: I am not saying that that is not the way that it should be done, but I do point out that does not show any economies in the administration of the general offices.

The CHAIRMAN: It leaves it just about the same. What is raised in one case is reduced in another.

Sir HENRY DRAYTON: I think the Chairman does not quite get my point. There is a drop, as has been pointed out, and rather a big drop in the way he was putting it. Now, if you find that the total drop in salaries actually paid is only \$77,000, and the balance put into other departments, it shows that the apparent decrease of \$77,000 is not decrease at all.

Sir HENRY THORNTON: As I understand Sir Henry's point, it is this: There has been a material reduction in transportation expenses, let us say, but there has been no large reduction in general office expenses.

Sir HENRY DRAYTON: You have been getting reductions everywhere except in this.

Sir HENRY THORNTON: Am I putting your question rightly?

Sir HENRY DRAYTON: Yes.

Sir HENRY THORNTON: The answer to that is simply this; that the general office expenses do not and cannot fluctuate with the traffic, unless of course the traffic dropped to an absurdly low figure and you were able to consolidate several departments. There has been no movement in our traffic which would permit any material reduction in general office expenses. You must maintain your various departments and we, particularly, must maintain an expensive and cumbersome accounting department until such time as we can simplify our financial structure, eliminating a number of the subsidiary companies, and thereby obviate keeping so many separate accounts. So that, what Sir Henry Drayton says is perfectly true, that there has been no drop in general expenses, in harmony with the movement of certain other items of expense. The only answer to that is, that general expenses are not susceptible to the same movement of traffic in so far as the total amount is concerned, as the "Transportation Expenses."

The CHAIRMAN: You would expect a reduction as soon as you can eliminate some of the subsidiary companies, and other unnecessary organizations?

Sir HENRY THORNTON: Our great difficulty is the great number of separate accounts we have to keep. In fact, we are not keeping as many separate accounts as, strictly speaking, we should. The great trouble is that there are.

I think, over 118 different separate corporations included in the Canadian National Railways. We do not keep separate accounts perhaps for all of them, but there are a large number of separate accounts.

Sir HENRY DRAYTON: We have an item here of \$7,000,000. How much of that is checking and keeping your books, and accounting?

Sir HENRY THORNTON: We might get at that, but I do not think we can answer it off-hand.

The CHAIRMAN: Would the whole of that item 452 be applied to that accounting and so on?

Mr. COOPER: No, not altogether.

Mr. HENRY: I suppose 452 is meant. The others are fairly specific.

Sir HENRY DRAYTON: The salaries and expenses of general officers; that would not be affected by that book-keeping consideration?

Sir HENRY THORNTON: Probably 452 would include the most of it.

The CHAIRMAN: There is a reduction there.

Sir HENRY DRAYTON: There is a reduction in the one thing we cannot reduce.

Sir HENRY THORNTON: No, you are wrong in that. What I said was that it is not susceptible of the same reduction, but we are constantly studying the situation, constantly examining it, and trying to save money in general expenses.

Sir HENRY DRAYTON: Your reason why you could not make any change in this was that there was so much accounting to do, and this was the accounting item.

Mr. CLARK: As to the "Legal Department," outside of Mr. Ruel, are the salaries of your legal staff included in those of the general officers?

Sir HENRY THORNTON: Yes.

Mr. CLARK: Then the law expenses in 454 are the expenses outside of your employees altogether.

Sir HENRY THORNTON: No.

Mr. CLARK: Is that outside the counsel.

Sir HENRY THORNTON: No. I did not get your question, General.

Mr. CLARK: On page 3 you have quite a large list of solicitors and regional counsel. Under what item are those expenses charged?

Sir HENRY THORNTON: 454.

Mr. CLARK: Mr. Ruel is not in that?

Mr. COOPER: Yes, he is.

Mr. CLARK: Maybe I did not catch what you said. I thought you said that your legal vice-president was one of the general officers.

Sir HENRY THORNTON: Yes, he is.

Mr. CLARK: Then the expense due to him would be under 452?

Sir HENRY THORNTON: I was speaking of expenses in general. I said for instance, no matter how your traffic ran, you still had to maintain a legal vice-president, but I did not specifically allocate his salary to any particular account when I made that statement. I used that as an example.

Mr. CLARK: That would be allocated to 451?

Sir HENRY THORNTON: 454.

Mr. CLARK: So that everyone in that list under "Legal Department" would come under 454?

Sir HENRY THORNTON: I think so; am I correct?

Mr. COOPER: Yes, that is correct.

Mr. CLARK: Under "General officers" is there a man by the name of Gaston.

Sir HENRY THORNTON: No.

Mr. CLARK: Under what item would he come?

Mr. COOPER: Under 460.

Mr. CLARK: Is he a salaried man?

Sir HENRY THORNTON: Mr. Gaston has been employed by the company to conduct a financial investigation of the company's affairs. He is not a salaried officer of the company, as that is generally understood.

Mr. CLARK: Is he still in the employ of the company?

Sir HENRY THORNTON: He is.

Mr. CLARK: How long has he been in the employ?

Sir HENRY THORNTON: About a year, I think.

Mr. CLARK: What is his occupation, his business?

Sir HENRY THORNTON: He is a financial man, a banker. At least he is familiar with financial and banking affairs.

Mr. CLARK: Where does he come from?

Sir HENRY THORNTON: New York.

Mr. CLARK: What has been the expense due to him?

Sir HENRY THORNTON: That I will not give unless the Committee demands it. I will be very glad to explain it to you privately, General. To tell you exactly what his salary is and the arrangement.

Mr. CLARK: I have never heard of the man, but I have been asked certain questions, and certain things have been suggested to me, which I think it would be well to have cleared up.

Sir HENRY THORNTON: Mr. Gaston was employed by the company, and selected by myself to conduct an examination of the financial structure of the company; to examine the various mortgages, and securities, and things of that sort, and advise with us in the preparation of a financial structure of the company as a whole.

Mr. CLARK: He is not a lawyer?

Sir HENRY THORNTON: Yes, he is a lawyer, by profession in this sense, that he graduated from a law school, and is as far as his educational qualifications are concerned, a lawyer.

Mr. CLARK: He is not a practising lawyer?

Sir HENRY THORNTON: No, he is not at the Bar.

Mr. CLARK: And he has never practised?

Sir HENRY THORNTON: Yes, he has practised.

Mr. CLARK: Is he a chartered accountant as well?

Sir HENRY THORNTON: No.

Mr. JELLIFF: Has he a staff under him?

Sir HENRY THORNTON: He has of course, the services of our various officers and clerks at his disposal for gathering information as may be required. They are paid by the company. He has a certain number of men who are working for him, and whom he pays himself.

The CHAIRMAN: Would you be satisfied, General Clark, if Sir Henry Thornton gives you that information privately?

Mr. CLARK: I am not disposed to press it at the moment, or make any statement.

Sir HENRY THORNTON: I will be very glad to give any member of the Committee any information with respect to that that he wants.

Sir HENRY DRAYTON: Is he in the New York office?

Sir HENRY THORNTON: He spends most of his time in Montreal.

Sir HENRY DRAYTON: So that the new offices on Fifth avenue were not necessary for him.

Sir HENRY THORNTON: They have nothing to do with him at all.

Sir HENRY DRAYTON: In connection with General Clark's question, does the objection here apply to his remuneration, or as to the cost of the work?

Sir HENRY THORNTON: No, I will be very glad to give you or the General any information with respect to the arrangement and what his remuneration is, and any question that you may want to ask.

Sir HENRY DRAYTON: What is it you do not want to become public?

Sir HENRY THORNTON: I do not think it is altogether fair, when you employ a man of ability and reputation to perform certain work for the company, to announce and broadcast what remuneration he is getting, and all that kind of thing. It is a perfectly proper thing for any member of this Committee to have, but I do not think it is quite dignified or quite fair to make it public.

Sir HENRY DRAYTON: For example, supposing the Finance Department had a man to do the same sort of work. Sometimes they have to employ New Yorkers. They have to sell bonds, and all the rest of it, but full information has to be given as to what they make.

Sir HENRY THORNTON: That is a different matter.

Sir HENRY DRAYTON: Is there anything particular about Mr. Gaston which differs his work from all the rest of the financing that is done?

Sir HENRY THORNTON: No, except that I do not think it is quite fair; I think it is small, and rather undignified, and something that I would object to with respect to most of our own officers. I think they are entitled to a certain amount of privacy in respect to their own personal affairs, and things of that kind.

Sir HENRY DRAYTON: Last year I think we had a sort of understanding, that it would not shock any one's sense of proper pride if it was known that he was making as much as \$15,000 or up, but it might be a shock to his pride if he were getting less than that, and I think you gave out information, as I recollect, only as to the people who made over \$15,000.

Sir HENRY THORNTON: I do not remember that.

Sir HENRY DRAYTON: I think so, that is my recollection.

Sir HENRY THORNTON: In other words, if the arrangements with experts, who are temporarily employed, are to be made public, and talked about, and all that sort of thing, it will come to the point that we will not be able to employ anyone. People will not put up with it.

Sir HENRY DRAYTON: We have never found that.

Sir HENRY THORNTON: We would get a very inferior quality.

Sir HENRY DRAYTON: We have not found that either.

Sir HENRY THORNTON: I will be very glad to tell any member of the Committee privately what the arrangement is.

Mr. CLARK: Does he devote himself exclusively to the business of the C.N.R.?

Sir HENRY THORNTON: Practically.

Mr. CLARK: It would be one of his duties, to advise you in regard to the securities and the renewals or the taking up of securities which are maturing and which were not guaranteed by the Dominion, and to the best means of disposing of them, or dealing with them?

Sir HENRY THORNTON: He is engaged, as I have said, in an examination of all our securities, and our financial structure, and of course, I would seek his advice and would want it in respect to anything relating to that aspect of our affairs.

Sir HENRY DRAYTON: He does not handle your bonds? Dillon-Reid's firm is still doing that.

Sir HENRY THORNTON: Yes, they are, but we are not tied to Dillon-Reid.

Sir HENRY DRAYTON: You have been following the usual rule of sound finance, that when you get a brokerage house that is looking after it properly, you give them a chance. If you found they were not looking after it properly, you would stop doing business with them.

Sir HENRY THORNTON: Precisely.

Sir HENRY DRAYTON: At one time, we did stop doing business with them, after a change in government, and we found that a mistake, and went back.

Sir HENRY THORNTON: And we have had extraordinarily good prices for our securities.

The CHAIRMAN: May we proceed? Anything more on that item of General Expenses? If not, that completes the examination of the railway Operating Expenses as a whole. Do you wish to continue further? There is a good deal of statistical information there.

Mr. CLARK: Well, just before you pass on: there is one thing I would like to ask, in regard to grain elevators. Are you building a grain elevator on the Fraser River?

Sir HENRY THORNTON: No.

Mr. CLARK: Are you interested in a grain elevator there?

Sir HENRY THORNTON: We are very anxious to have one built.

Mr. CLARK: Is there any difficulty now in switching this grain into the elevators at Vancouver?

Sir HENRY THORNTON: Only the charge, of course—the switching charge.

Mr. CLARK: In your opinion, is the charge unreasonable?

Sir HENRY THORNTON: What is the charge now, Mr. Dalrymple?

Mr. DALRYMPLE: \$6.50 on the grain from False Creek.

Mr. CLARK: What was it two or three years ago?

Mr. DALRYMPLE: A little higher. We effected a reduction with the Vancouver Harbour Commissioners.

Mr. CLARK: All your switching is done by the Harbour Commissioners?

Mr. DALRYMPLE: Yes, from False Creek.

Mr. CLARK: You are not dependent upon the C.P.R.?

Mr. DALRYMPLE: No.

Mr. JELLIFF: I thought it was about \$13 a few years ago?

Mr. DALRYMPLE: That referred to the estimated cost that the Canadian National had to assume to make delivery of grain at the water front at Vancouver, through the Harbour Commissioners, from Port Mann.

Mr. JELLIFF: Is the rate part of that?

Mr. DALRYMPLE: We absorb the total charge; we make our rates to include the delivery of grain to the elevators.

Mr. CLARK: Is your anxiety for accommodations on the Fraser River due solely to the expense of handling your grain from the yard to the elevator at Vancouver?

Sir HENRY THORNTON: Largely, but the desire, of course, is to have elevators tributary to our own line entirely.

Mr. CLARK: The elevators are not more than a mile and a half or a mile away from your yards?

Mr. DALRYMPLE: It is farther than that to Port Mann. Our yards are at Port Mann. It is more than a mile and a half from Port Mann to the Vancouver harbour front. If we were able to deliver the grain to the elevator at Port Mann we would save the additional work, and the additional expense.

Sir HENRY THORNTON: There is the delay, too.

Mr. CLARK: The additional work of running over your own line at Vancouver would offset that?

Mr. DALRYMPLE: Then we have to pay a bridge toll to get across the New Westminster bridge.

Mr. CLARK: You might have difficulty in getting ships to come up the Fraser River after the grain.

Mr. DALRYMPLE: We have promise of the ships if we can provide the facilities. It not only includes grain elevators, but includes docks, and things of that kind.

Mr. CLARK: I asked one question under 247 in regard to the operation of the telegraph and telephone lines. What proportion is charged to the railways, and what proportion to the Canadian National Telegraph Company?

Mr. HENRY: That has gone into the record.

The CHAIRMAN: May we consider that examination closed?

Sir HENRY DRAYTON: I just noticed one thing. It is not under any particular item, but it may take into consideration several items. I believe Mr. Henry can tell us about that "Transportation for Investment." Credit for that has increased \$221,000. Usually, that transportation credit for investment depends upon capital expenses, and not per train mile of revenue freight. I notice there is a decrease in capital expenditures, and a decrease in ton miles of revenue freight. There should be an explanation of that.

Mr. COOPER: There was a decrease in the gross capital expenditures, but there was an actual increase in branch line construction, and it is particularly on the branch line construction that the work equipment is used.

Sir HENRY DRAYTON: Why was that not taken into ton mile of non-revenue freight, because I notice they are down, and they are supposed generally to have some particular relation to the transportation for company purposes?

Mr. COOPER: I cannot answer that.

Sir HENRY DRAYTON: That is something that might be looked into just as a check. I am not saying there is anything sinister in it at all.

The CHAIRMAN: Can we go on at our next sitting with the estimates proper, or do you wish to examine this statement further?

Sir HENRY DRAYTON: When we get down to Capital accounts, I think perhaps it would be a good thing—

Hon. Mr. DUNNING: There is Mr. Nicholson's question in that connection, but he is not here this morning. He wished to address some questions on that.

Sir HENRY THORNTON: We are making an examination of that, but it is not quite completed.

Mr. JELLIFF: Very good, then. We will wait until it is. For the rest of it, it is always nice to know where the money is going, and our Capital accounts, of course, increase from time to time, and that Capital account increase is in connection with two items, new lines—absolutely new undertakings—and betterment in roads. It is nice to know what the changes are in that connection.

Sir HENRY THORNTON: We have that here. Shall we file it?

CANADIAN NATIONAL RAILWAYS

SUMMARY of Capital Expenditures, Year 1925, under Engineering Classification

Group	Class of Work	Unit or Number to be used	Unit or Number		Net Capital Amount Added
					\$ cts.
1 A	New lines constructed.....	No. and miles....	20	542.23	6,952,809 59
B	New lines acquired.....	No. and miles....			201 89
C	Line diversions.....	No. and miles....	3	57.00	138,762 13
D	Double tracking.....	No. and miles....	1	1.87	70,571 53
2 A	New rails and fastenings.....	Miles.....		448.42	468,041 46
B	Relaying rails (S.H. Rail).....	Miles.....		311.93	324,002 59
C	Tie plates.....	No.....		2,658,792	737,490 14
D	Rail anchors.....	No.....		903,964	205,336 75
3	Ties.....	No.....		87,714	121,446 29
4 A	Rock ballast.....	Cu. yds.....		154,956	329,595 02
B	Gravel ballast.....	Cu. yds.....		246,053	86,989 03
C	Slag ballast.....	Cu. yds.....			
5 A	Widening cuts and fills.....	Cu. yds.....		118,096	58,972 56
B	Scaling rock cuts.....	No. of items.....		8	23,107 06
6 A	Rip rap.....	Cu. yds.....		42,450	42,833 33
B	Retaining walls and crib work.....	Lin. ft.....		1,178	20,167 29
7 A	Ditching.....	Cu. yds.....		65,483	40,574 78
B	Tile drainage.....	Lin. ft.....		150,054	125,169 87
C	Sewers.....	No.....		10	12,288 71
8 A	Highway and farm crossings.....	No.....		73	16,485 58
B	Roadways and paving.....	No. and sq. yds....	31	12,881	34,210 66
9 A	Right of way fence.....	Miles.....		145.98	48,010 16
B	Snow fence.....	Lin. ft.....		144,222	29,884 79
10 A	Large freight terminals.....	No.....		5	736,015 28
B	Large passenger terminals.....	No.....		2	12,299 00
11 A	Other yard tracks and public business sidings.....	No. and miles....	142	45.94	477,499 83
B	Passing tracks.....	No. and miles....	27	90.32	138,400 94
C	Private sidings.....	No. and miles....	124	303.20	174,072 02
12	Roadway miscellaneous.....	No.....		47	3,907 80
13 A	New steel bridges or the replacement with concrete or steel bridges.....	No.....		44	893,927 31
B	Culverts, new or the replacement thereof.....	No.....		745	235,494 70
C	New timber bridges and trestles or replacement of existing timber bridges or trestles in kind.....	No. and length....	79	7,623 ft.	141,144 01
D	Replacing timber bridges and trestles with culvert and fill.....	No. and length....	135	21,718 ft.	488,369 98
E	Replacing timber bridge and trestles with permanent concrete or steel bridges.....	No. and length....	19	2,534 ft.	67,579 82
14	Tunnels.....	No.....		3	39,403 67
15 A	Protection or elimination of grade crossings by diversions.....	No.....		4	10,394 72
B	Protection or elimination of grade crossings by subways or overhead bridge.....	No.....		11	891,743 66
C	Replacement of present overhead bridges.....	No.....		4	19,829 19
D	Highway crossing protection by gates, flashing lights, wigwags, etc.....	No.....		42	31,219 87
16 A	Other stations and shelters.....	No.....		80	40,279 82
B	Freight sheds.....	No.....		17	104,613 50
C	Stock pens.....	No.....		36	36,285 59
D	Section dwellings and bunk-houses.....	No.....		54	31,819 76
E	Platforms.....	No.....		59	37,639 52
16 F	Buildings (miscellaneous).....	No.....		38	16,804 09
G	Express facilities on railway.....	No. of items.....		5	1,189 87
H	Track scales.....	No.....		7	34,514 64
17	Water supplies.....	No.....		90	109,902 42
18	Fuel stations.....	No.....		20	10,415 52
19 A	Turntables.....	No.....		7	5,854 99
B	Ashpits.....	No.....		3	10,186 92
C	Other enginehouses, machine shops, etc.....	No.....		21	91,669 78
20	Other loco. and car shop buildings.....	No.....		19	122,993 83

CANADIAN NATIONAL RAILWAYS—*Concluded*

SUMMARY of Capital Expenditures, Year 1925, under Engineering Classification

Group	Class of Work	Unit or Number to be used	Unit or Number	Net Capital Amount Added
				\$ cts.
21 A	Docks and wharves and dredging for same.....	No.	8	4,667 11
22	Grain elevators.....	No.	5	29,833 14
23	Automatic block signals and interlocking plants.....	No. and miles.	15 2.18	170,588 27
24 A	Purchase of locomotives.....	No.	130	1,412,749 55
B	Betterments supplied to locomotives.....	No.	1,790	338,011 61
E	Purchase of freight cars.....	No.	2,371	302,848 60
D	Betterments applied to freight cars.....	No.	531	810,680 42
D 1	Conversions.....	No.	7,672	109,896 45
E	Purchase of passenger cars.....	No.	19	1,329,830 42
F	Betterments applied to passenger cars.....	No.	82	178,668 55
F-1	Conversions.....	No.	54	77,336 88
G	Purchase of motor equipped cars.....	No.	12	501,945 39
H	Betterments applied to motor equipped cars.....	No.		
I	Purchase of floating equipment.....	No.	2	3,605 00
J	Betterments applied to floating equipment.....	No.	3	888 34
K	Purchase of work equipment.....	No.	414	304,290 06
L	Betterments applied to work equipment.....	No.	32	51,316 22
L-1	Conversions.....	No.	145	94,782 40
M	Miscellaneous equipment.....	No.	94	1,228 70
25	Shop machinery and tools.....	No.	5	122,344 04
26 A	Railway telephone despatch lines and equipment.....	No. and miles....	8 143.44	61,181 12
B	Railway telegraph.....	No.	7	2,018 29
27	Purchase of land.....			377,672 03
28	Electrifying lines.....	No.		778 45
29	Co-ordination facilities.....	No. of items	34	572,760 07
30	Surveys right of way and others.....	Miles	134	25,501 80
31	Hotels.....	No.		
32	General miscellaneous.....			219,398 39
33	Unforeseen.....	No. of items	12	41,418 46
40	Stores department, buildings and equipment.....			191,196 92
41	Express department equipment.....			
42	Traffic department.....			6,487 48
43	Legal and tax department.....			64,720 52
44	Colonization department.....			1,625 31
45	G. N. W. Telegraph Company..			
46	Can. Nat. Telegraph Co.....			942 82
47	Radio Department.....			48,096 86
48	Electric lines in Ontario.....			36,634 96
				\$17,693,004 93

Sir HENRY DRAYTON: Have you any other statements?

Mr. HENRY: The statement of trestles has gone in.

Mr. HARRIS: In that same connection, Mr. Chairman, in reference to what Sir Henry (Drayton) was saying about increased capital, I would like to have a report of the reduction in capital, due to sales of fixed assets during the year that has just gone by. A tremendous correlation is going on, and there must be a great many sales of fixed assets.

Sir HENRY THORNTON: You asked for that, and Mr. Henry has a note to get it for you.

Mr. HARRIS: I wanted to make sure I got it.

Sir HENRY DRAYTON: The minister said, in the House, that the railway was not challenging the figures in connection with bond guarantees, which I got from the Finance Department. He said it could be cleaned up in committee. If it cannot be cleared up, there will have to be an investigation. I handed the statement to Mr. Henry for him to check. Mr. Henry, have you checked those figures?

Mr. HENRY: Mr Cooper checked them.

Mr. COOPER: I have checked the figures and found your figures correct.

Sir HENRY DRAYTON: In every particular?

Mr. COOPER: Yes.

Sir HENRY DRAYTON: Those figures are reported in Hansard under date of May 10th. You say they are correct? We will have to put them in, so they will appear here.

Mr. COOPER: I find I shall have to put these figures in at a later date.

Hon. Mr. DUNNING: We were dealing with an entirely different matter.

Sir HENRY DRAYTON: I just wanted to confirm that fact.

Sir HENRY THORNTON: Mr. Cooper will clear up that point with you.

Sir HENRY DRAYTON: Yes, when the figures are found to be absolutely correct, they can be submitted to the Committee.

The CHAIRMAN: We will adjourn until eleven o'clock, Thursday, June 10th, 1926.

The Committee adjourned until eleven o'clock, Thursday, June 10th, 1926.



SESSION 1926
HOUSE OF COMMONS

SELECT STANDING COMMITTEE
ON
RAILWAYS AND SHIPPING

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 9—JUNE 10, 1926

WITNESSES:

Sir Henry Thornton, President, C.N.R.

R. B. Teakle, General Manager, Merchant Marine.

T. H. Cooper, General Auditor.

ORDER OF REFERENCE

HOUSE OF COMMONS,

WEDNESDAY, May 19, 1926.

Resolved,—That Rule 10 of the House of Commons relating to the appointment of the Select Standing Committees of the House be amended by adding to the Select Standing Committees of the House for the present session a Select Standing Committee on Railways and Shipping owned, operated and controlled by the Government, to which will be referred the estimates of the Canadian National Railways and the Canadian Merchant Marine for the present session, for consideration and for report to the House, provided, however, that nothing in this resolution shall be construed to curtail in any way the full right of discussion in Committee of Supply; and that the said Committee consist of Messrs. Bell (St. Antoine), Boys, Campbell, Clark, Drayton, Dunning, Euler, Fiset, Harris, Heaps, Jelliff, Jones, Johnston, Power and Robichaud.

Attest.

ARTHUR BEAUCHESNE,

Clerk of the House.

REPORTS

HOUSE OF COMMONS,
WEDNESDAY, May 26, 1926.

First Report: Mr. Euler, from the Select Standing Committee on Railways and Shipping owned, operated and controlled by the Government, presented the First Report of the said Committee, which is as follows:—

Your Committee recommends that its minutes of proceedings and evidence be printed from day to day for the use of the members of the committee and of the House and that Rule 74 be suspended in reference thereto.

Second Report: Mr. Euler, from the Select Standing Committee on Railways and Shipping owned, operated and controlled by the Government, presented the Second Report of the said Committee, which is as follows:—

Your Committee recommends that it be granted leave to sit while the House is in session.

Concurrence: On motion of Mr. Euler, the First and Second Reports of the Select Standing Committee on Railways and Shipping owned, operated and controlled by the Government, were concurred in.

FRIDAY, May 28, 1926.

Third Report: Mr. Euler, from the Select Standing Committee on Railways and Shipping owned, operated and controlled by the Government, presented the Third Report of the said Committee, which is as follows:—

The attention of your Committee having been drawn to the omission of the interim supply voted by Parliament during the present Session, of any part of Items 372 and 373, of the Estimates 1926-27 respecting loans to the Canadian National Railway and the Canadian Government Merchant Marine, Limited;

Your Committee therefore recommends that Parliament grant as interim supply the sum of \$10,000,000 of the said Item 372 and the sum of \$200,000 of the said Item 373.

MINUTES OF PROCEEDINGS

HOUSE OF COMMONS,

THURSDAY, June 10, 1926.

The meeting came to order at 10.30 a.m. Mr. Euler, the chairman, presiding.

Members present: Messrs. Boys, Clark, Drayton, Dunning, Euler, Harris, Heaps, Jelliff, Jones, Johnston and Power.

Sir Henry Thornton, President, and other officials of the Company were questioned as to the sale of property of the C.N.R. on Woodbine Ave., Toronto.

On motion it was ordered that Mr. Warren and Mr. MacDougall, C.N.R. officials at Toronto and Bert Grant who had submitted a tender for the said property, be required to attend before the committee tomorrow.

Item 372 of the Estimates, 1926-27, Loans to Canadian National Railway Company, \$31,000,000, was taken under consideration and progress reported; the said Item to be further considered at the next meeting.

Mr. Teakle, General Manager of the Canadian Government Merchant Marine, Limited, appeared before the committee and answered questions and filed several prepared statements. The said statements appear in the printed evidence of this day.

On motion by Mr. Jelliff, seconded by Mr. Bell the chairman was instructed to report to the House that the committee approved of Item 373, Estimates, 1926-27, Loan to Canadian Government Merchant Marine, Limited, \$600,000, of which amount the sum of \$200,000 has already been recommended to the House by the Third Report of this Committee of date, May 28, 1926.

The chairman read a letter from Mr. Church, M.P., asking to be permitted to appear before the committee. It was decided that the committee would hear Mr. Church at the next meeting.

The committee then adjourned till Friday, June 11, at 11.00 a.m.

A. A. FRASER,

Clerk of the Committee.

MINUTES OF EVIDENCE

COMMITTEE ROOM 268,

HOUSE OF COMMONS,

THURSDAY, June 10th, 1926.

The Select Standing Committee on National Railways and Shipping met at 11 a.m., the Chairman, Mr. Euler, presiding.

The CHAIRMAN: Gentlemen, if you will come to order please: we have completed an examination of the railway's Operating Revenues and Expenditures, and I would suggest, unless there is some other suggestion, that we go on with the estimates proper.

Mr. HARRIS: I have a few questions that I would like to ask. Did you say this was completed?

The CHAIRMAN: I thought we had completed it yesterday.

Mr. HARRIS: We will have, when these questions are answered.

The CHAIRMAN: What questions are there?

Sir HENRY THORNTON: There is one question I have before me which was proposed by Mr. Harris, with respect to the sale of some land at Woodbine. The area was 4.79 acres fronting on the east side of Woodbine Avenue, Toronto, and lying north of the car tracks. In 1925, the land was valued by the City of Toronto Assessment Department at \$10,000 an acre, which was later reduced by the Court of Revision to \$8,500 per acre.

Inquiry was made by the Parks Department of the City of Toronto, and also S. B. Robbins of Robbins Limited, and others, not shown on the file, because it was verbal, and it was not until March 10th, 1925—

Mr. HARRIS: Mr. Palmer, the Right of Way Agent, has a file on that in Toronto.

Sir HENRY THORNTON: Some of it was by letter, and some by verbal inquiry. It was not until March 10th, that Mr. Warren, General Manager at Toronto, advised that only two offers to purchase had been received, the higher one being by Mr. Bert Grant, of \$36,300, or \$7,578 per acre. There is nothing on file to indicate that Mr. Grant's offer was accepted. The property was also advertised for sale in the Toronto Star, Telegram, Mail and Empire, and the Globe. The first offer was from a builder name not shown on his letter, which was turned down. This was for \$30,000. This builder was going to subdivide and erect houses. Then came another offer from Mr. Grant, the second offer of \$36,300. On inquiry we concluded that the price of \$36,300 was probably not quite enough, and we ought to get a little more for it, and subsequently the property was sold to Mr. John A. Kent for \$37,000.

Mr. HEAPS: That was approximately the assessed value by the City of Toronto?

Sir HENRY THORNTON: Yes.

Mr. HARRIS: Who is John A. Kent?

Sir HENRY THORNTON: I don't know.

Mr. HARRIS: That was at a private sale?

Sir HENRY THORNTON: Yes.

Mr. HARRIS: Was that private sale consummated by Mr. MacDougall, the director of the Canadian National Railways at Toronto?

Mr. HUNGERFORD: It came to us direct. Mr. MacDougall may have advised him.

Sir HENRY THORNTON: Mr. MacDougall did not sell the property, nor did he have anything to do with the sale of the property, other than to advise.

Mr. HARRIS: This deposition I put on record under date of June 8th, page 142, is that Mr. Hungerford, the Vice-President in charge of Operations, suggested that it would be but common courtesy, before the tender was accepted, if the matter were drawn to the attention of Mr. MacDougall, the director of the Canadian National Railways at Toronto. Is that substantially correct?

Mr. HUNGERFORD: When the tenders were first sent in, I was in doubt as to whether that was the correct price. It was not quite comparable with the price set on it by the City of Toronto, and I suggested to Mr. Warren that he had better consult with Mr. MacDougall as to the appropriateness of the price, and Mr. MacDougall thought it should be worth a little more money.

Mr. HARRIS: Mr. MacDougall, whose office is in the same building as the Trust and Guarantee Company, is also a director of that company?

Sir HENRY THORNTON: That is probably true.

Mr. HARRIS: The Trust and Guarantee Company consummated this sale, and not Mr. Kent?

Sir HENRY THORNTON: I do not know as to these details; all I know is we sold the property for \$37,000.

Mr. HARRIS: And the highest tender was \$36,300?

Sir HENRY THORNTON: Yes.

Mr. HARRIS: That was recommended by the Toronto City officials—that it should be accepted, until the Trust and Guarantee Company came into it?

The CHAIRMAN: The highest tender was recommended.

Mr. HUNGERFORD: It was submitted to me for consideration, and I suggested to Mr. Warren that he had better get Mr. MacDougall's advice as to whether or not we should not get a better price.

Mr. HARRIS: The result was that by adding \$700 the Trust and Guarantee Company got the property, and are now subdividing it?

Sir HENRY THORNTON: I don't know; that may be.

Mr. HARRIS: As a matter of fact, they are. I have a record here from the minutes of the City Council of the City of Toronto, where it was asked that the plan be accepted.

Sir HENRY THORNTON: I should think that would be the use they would make of the property.

Mr. HEAPS: Does Mr. Harris think there is anything wrong in that?

Mr. HARRIS: It is a matter of policy. If you ask for tenders for property, and get one for \$36,300, and that becomes common knowledge of the directorate; then subsequently a Trust and Guarantee Company adds \$700, through a man by the name of Kent—the tender of \$700, with relation to \$37,000 is not a large percentage—and the man who makes the original tender misses out on the deal, for the sake of \$700—it may be good business, or it may not.

Sir HENRY THORNTON: Of course, I suppose back of this is to develop whether or not there was anything of a nefarious nature connected with it. Personally, both Mr. Hungerford and myself do not feel that there is, or we certainly would never have allowed the property to have gone in that way.

Mr. HEAPS: The point, Sir Henry (Thornton) I get from Mr. Harris, is that you inserted advertisements in the various Toronto newspapers offering for sale certain property; you received certain tenders; you turned down these tenders, thinking they were not sufficiently high, and then subsequently a party came along who offered \$700 more than the highest tender you had received—

Mr. HARRIS: Two per cent more.

Mr. HEAPS: A very small amount—and the party who gave the tender for \$36,300 did not have a subsequent chance of bidding, and the deal there appears to have been consummated by private sale through this Mr. Kent.

Now, the question arises whether in the future, when you ask for tenders, you should not accept the highest tender, or advertise again for new tenders.

Sir HENRY THORNTON: Ordinarily, both in connection with the sale of property, and things of that kind, we advertise in the ordinary way, and in regard to the sale of property, the property is sold to the highest tenderer. It is conceivable that some tenderer might name a high figure, and we would be quite sure he could not fulfil his engagement—

Mr. HARRIS: Just at that point, this particular tender was recommended by the Toronto City officials, so your observation does not enter into that equation—

Sir HENRY THORNTON: Yes, it does, because the Toronto City officials are not the last word.

Mr. HARRIS: They are responsible men—

Sir HENRY THORNTON: They are, and they make their recommendations, but at the same time the proper officers at headquarters would accept or reject their recommendation.

The CHAIRMAN: Ordinarily, I would think if the tender was rejected, because it was not sufficiently high, there should be new tenders called for. I think that would be fair.

Sir HENRY THORNTON: Sometimes, of course, you ask for tenders, and if they are unsatisfactory, they are rejected, and then you embark upon private negotiations to see if you cannot do better than that.

Mr. HEAPS: The unfortunate thing in this particular transaction, to which Mr. Harris was referring, seemed to emanate from some of the officials of the Canadian National.

Sir HENRY THORNTON: We have directors who come from various parts of the country, and their advice and counsel is frequently sought with respect to matters relating to their own community.

Sir HENRY DRAYTON: The unfortunate thing seems to be, Sir Henry (Thornton)—and it is a thing which does not look good, and which you would not like yourself—is, that Mr. MacDougall is called in to advise, and then MacDougall's Company secure this property at an advance of two per cent over the original tender.

Sir HENRY THORNTON: I entirely agree that I do not like it, but, as a matter of fact, this happened some time ago, and I have some difficulty in recollecting the details myself, but we do try to be very careful in the sale of property of this sort, but with the large mileage we have, and the large amount of property we have, sometimes something will happen which we would rather would be different.

Mr. BOYS: What period of time elapsed between the closing of the tenders and the sale?

Sir HENRY THORNTON: The property was advertised for tender in the Toronto newspapers—

Mr. BOYS: What was the last date for receiving the tenders?

Sir HENRY DRAYTON: February 15.

Mr. HARRIS: February 15, 1926.

Sir HENRY THORNTON: I should think that would likely be the date, because the last date upon which we advertised in the Toronto journals was February 13—

Mr. BOYS: I suppose you put a clause in that the highest tender, or any tender, need not necessarily be accepted? That was in, of course?

Sir HENRY THORNTON: Yes.

Mr. BOYS: When was the sale put through?

Sir HENRY THORNTON: It was about April 20. It may have been two or three days later.

Mr. BOYS: A couple of months afterwards?

Sir HENRY THORNTON: It was April 19.

Mr. BOYS: Were there no inquiries from the unsuccessful tenderers subsequent to the refusal of the tenders?

Mr. HUNGERFORD: I understand he inquired as to whether or not he was to be awarded the property, but he did not offer anything more.

Mr. BOYS: I presume that when you decided the tenders were not high enough, you advised those who tendered, that the property would not be sold, as the price was not satisfactory, or something of that sort?

Sir HENRY THORNTON: That must have been the case. We had to make some reply.

Mr. BOYS: What I would think would likely happen would be if the highest tenderer was keen to get the property, one would imagine he would continue negotiations, and I would like to find out whether that was done, and whether they were ignored.

Sir HENRY THORNTON: As a matter of fact, as far as my own interests are concerned, and Mr. Hungerford's, we never supposed any question would ever arise about it; it was an ordinary routine matter, and went through in the usual way.

The CHAIRMAN: Sir Henry (Thornton), have you any answer to make to Mr. Boys' question, whether the highest tenderer made any effort afterwards to acquire the property by way of raising the price?

Mr. HUNGERFORD: No, I cannot answer that, Mr. Chairman, because I have no information on the subject.

Mr. HARRIS: Well, as a matter of fact, Mr. Chairman, the highest tenderer was informed, after all the tenders were in—he was informed, firstly, that his tender had been superseded by an offer which was higher; then he was later informed if he would renew his offer it would be accepted. This was done in April, and subsequent to that his next word with regard to it was that the city of Toronto had been asked by the Trust and Guarantee Company, 302 Bay street, on May 5th, to approve the plan of the property which they were proposing. I have here the minutes taken from the meeting of the City Council.

Sir HENRY DRAYTON: What was the date when he was asked to renew his offer, Mr. Harris?

Mr. HARRIS: I have not the exact date. This letter says "I was informed if I would renew my offer it would be accepted. This I did."

Sir HENRY THORNTON: (To Mr. Hungerford) Have we any communication or objection from Mr. Grant in respect to this, that you know of?

Mr. HUNGERFORD: Not that I know of. We got information by telephone stating that Mr. Grant's offer would not be accepted.

Mr. BOYS: There ought to be some explanation of what Mr. Harris said.

Sir HENRY THORNTON: I take it that this information did come from Mr. Grant. Mr. Warren really knows—

Mr. HARRIS: I know they are responsible builders, but outside of that, I do not know—

Sir HENRY THORNTON: Mr. Warren knows more about the details of what went on than either Mr. Hungerford or myself.

The CHAIRMAN: It is evident that cannot be answered to-day. Mr. Harris, would it not be sufficient if they made the inquiry and reported to-morrow?

Mr. HARRIS: If they are going to report on that, I would like also to ask with regard to the same property, what happened between Mr. Palmer and the City Parks Department with a view to taking over this property. The City Parks Department was particularly interested in acquiring this particular piece of property.

Mr. HUNGERFORD: Evidently they made inquiries but did not put in the tender, when it was asked for.

Mr. HARRIS: I suppose they were given an opportunity when tenders were asked for, apart from this little squib of an advertisement in the newspaper?

Sir HENRY THORNTON: It may be a little squib of an advertisement, Mr. Harris, but it was turned over to the newspapers in the usual way, and I do not think it can be characterized as a "little squib of an advertisement."

Mr. HARRIS: What I had in my mind, Sir Henry (Thornton) was that you had a very responsible party, the city of Toronto, inquiring for this piece of property.

Sir HENRY THORNTON: We might ask Mr. Warren to come up here. He can be here to-morrow morning.

Mr. HARRIS: It seems too bad to go to all that expense.

Sir HENRY THORNTON: It is all in the day's work. We want you to have all the information if there is any doubt about this.

Mr. HARRIS: There is no question about anything. The facts are clear. The highest tender was \$36,300. That is raised by two per cent, to about \$37,000, and sold to some one else by private sale.

The CHAIRMAN: These inquiries are by the city of Toronto.

Sir HENRY DRAYTON: And Mr. Grant.

The CHAIRMAN: We can get the witnesses here to-morrow.

Sir HENRY THORNTON: I think we had better have Mr. Warren here.

The CHAIRMAN: Does the Committee ask for that?

Mr. POWER: I think we should have Mr. Warren.

Mr. BOYS: I think the man we should have here is Mr. Grant, if anyone. The way it strikes me is this; the tenders are received and rejected. Then apparently, from what Mr. Harris says, another bid for the property was received; there was a delay of nearly two months and something must have gone wrong with that bid, for Mr. Grant says then he was asked to renew his former offer. He renewed it, and then without any further word to him, the property was sold to the Trusts and Guarantee Company.

Mr. HARRIS: Sold to the private owner, evidently, and according to the minutes of the city of Toronto, the Trusts and Guarantee are putting on a plan of the property.

The CHAIRMAN: Was Mr. Grant, the highest tenderer, distinctly informed that if he would submit his tender again, it would be accepted?

Mr. HARRIS: That is his statement.

Mr. POWER: He says so in his letter, but we often get letters, sometimes from constituents, which do not state the situation with perfect accuracy. I do not throw any doubt on what Mr. Grant says, but I would like to hear Mr. Warren.

Mr. HARRIS: He says, "Later, I was informed that if I would renew my offer it would be accepted. This I did. Subsequently, the property had been sold for a much higher figure."

The CHAIRMAN: The only way to clean that up properly is to get Mr. Warren here. Do you want him?

Mr. HARRIS: If Mr. Warren is coming, I move that Mr. Grant should come also.

Mr. POWER: I will second that.

The CHAIRMAN: Then it is moved by Mr. Harris, seconded by Major Power, that both Mr. Warren and Mr. Grant be called and that they attend to-morrow.

Sir HENRY DRAYTON: I would suggest that we have the file of correspondence here.

Sir HENRY THORNTON: We will have any papers necessary.

The CHAIRMAN: Do you think Mr. MacDougall should come also.

Mr. HEAPS: Get it cleaned up. Let us have them all.

Hon. Mr. DUNNING: The implication is that MacDougall acted in some improper manner. Surely if a man is being accused, he should be brought too, and not only his accusers.

The CHAIRMAN: Then the motion is that these three gentlemen appear here to-morrow.

Carried.

The CHAIRMAN: Does this complete the matter of the Toronto property? Are there any unanswered questions from previous days?

Sir HENRY DRAYTON: Yes.

Mr. BOYS: Yes, I have some.

Sir HENRY THORNTON: My Henry will explain the statements required by Sir Henry Drayton.

Mr. HENRY: Sir Henry Drayton asked yesterday for a statement showing the operating revenues and expenses and operating ratios for the years 1924 and 1925, by regions.

Sir HENRY THORNTON: Shall we file that?

(Document filed.)

CANADIAN NATIONAL RAILWAYS

OPERATING REVENUES, OPERATING EXPENSES AND OPERATING RATIO BY REGIONS, 1924 AND 1925

	1925		1924		Operating Ratio	
	Operating Revenues	Operating Expenses	Operating Revenues	Operating Expenses	1925	1924
	\$ cts.	\$ cts.	\$ cts.	\$ cts.	%	%
Atlantic Region.....	20,287,613 05	23,463,862 70	20,721,399 54	24,266,403 78	115.66	117.1
Central Region (except N. E. Lines).....	116,737,244 41	95,744,059 87	114,564,818 39	98,131,371 43	82.01	85.66
Western Region (except D. W. & P.).....	71,194,063 36	65,165,278 87	65,938,275 20	67,062,628 69	91.53	101.7
Grand Trunk Western Lines	31,847,954 55	23,758,407 35	29,591,984 53	23,881,316 76	74.60	80.70
Duluth, Winnipeg & Pacific	2,251,162 69	1,887,199 37	2,176,474 81	1,924,405 28	83.83	88.42
Grand Trunk New England Lines.....	2,653,164 55	2,687,979 66	2,595,230 08	3,077,805 13	101.31	118.59
SYSTEM.....	244,971,202 61	212,706,787 82	235,588,182 55	218,343,931 07	86.83	92.68

Sir HENRY DRAYTON: Then the gross earnings per mile of line, have you got that?

Mr. HENRY: It is not on that statement, but I can have that prepared.

Sir HENRY DRAYTON: I should think that that could be done easily, and be filed tomorrow morning.

Mr. HENRY: You also asked for a statement showing the amount invested and the result of the operation of the hotels.

Sir HENRY DRAYTON: Yes. And then the distribution of our capital account as between new properties and betterments.

Mr. HENRY: New properties and betterments, that was filed last night.

The CHAIRMAN: Anything further?

Mr. HENRY: Mr. Boys asked for a statement showing the changes if any in the distribution of the section between Toronto and North Bay. That was filed a couple of days ago, Mr. Boys, in your absence. Here is a copy of it.

Sir HENRY DRAYTON: Then there was another thing I drew to your attention, Mr. Henry; that was the question of the Montreal warehouse. We changed our capital there from the million odd to \$131,000 odd.

Mr. HENRY: That property was sold.

Sir HENRY DRAYTON: As I remember, it was sold to the Harbour Board.

Mr. HENRY: Only part of it. Only the Windmill Point Elevator.

Sir HENRY DRAYTON: There was a contract made with them, and if I remember rightly, under the contract the Railway had to protect the Harbour Board against the outstanding debentures, is that right?

Mr. HENRY: That was a condition of the sale, I believe.

Sir HENRY DRAYTON: When was that sale made?

Mr. HENRY: I have not the exact date of that, Sir Henry, but I think it was made in March, 1924.

Sir HENRY DRAYTON: Yes, it was in 1924.

Sir HENRY THORNTON: My recollection was that it was about a year ago.

Mr. BELL (Deputy Minister): It was nearly two years before that final sale was made, and it was over three years ago since that.

Mr. HENRY: An agreement was made, Sir Henry, that the price would be arranged by agreement, and they were actually in possession of the elevator for nearly two years before the final settlement.

Sir HENRY DRAYTON: Those bonds had a considerable time to run, had they not? They were four per cent bonds, as I recollect, with a considerable time to run. Is that right, Major Bell?

Mr. BELL: That is right.

Sir HENRY DRAYTON: It was agreed that you protect the purchasers from them. You could not pay them off.

Sir HENRY THORNTON: That is right.

Sir HENRY DRAYTON: What was the price of those bonds at the time the agreement was entered into.

Mr. HENRY: I cannot answer that.

Sir HENRY DRAYTON: Was it about 83, or was it 86?

Sir HENRY THORNTON: I think it was over 90. I do not remember.

The CHAIRMAN: Cannot we get away from guessing, and get the exact information?

Sir HENRY THORNTON: If Sir Henry will give us the questions he wants answered, in connection with it, we will have them answered.

Sir HENRY DRAYTON: I want to see what price the bonds were being offered at, at the time of the agreement. I understand that they were redeemed at a discount by the company, were they not?

Mr. HENRY: Some were, but not all.

Sir HENRY DRAYTON: Some for 100 cents on the dollar?

Mr. HENRY: Oh no, I do not think so.

Mr. BELL (Deputy Minister): They were worked out on a five per cent basis.

Sir HENRY DRAYTON: Four per cent bonds worked out on a five per cent basis? That would carry you to what discount?

Mr. BELL: That was in the 90's. We had better get the files and be absolutely correct.

Hon. Mr. DUNNING: Is this the item on page 29. The four per cent Montreal Warehousing Company's First, due April 1, 1936; \$136,000. That is the amount of bonds outstanding.

Sir HENRY DRAYTON: We had a million in round figures the year before. I was interested just to see what discount we made on that?

Hon. Mr. DUNNING: Do you mean we bought those bonds in?

Sir HENRY DRAYTON: Those bonds, Mr. Minister, would appear in our balance sheet at face value; they were low interest bearing securities, and on the market were not worth their face value. We got them in, Major Bell says, somewhere in the 90's. I was interested to know what they were before we entered into that contract.

Sir HENRY THORNTON: I think we know what Sir Henry wants, and perhaps we had better prepare a statement covering the question he has asked.

Sir HENRY DRAYTON: Then I also want to know what happens to the difference. Supposing you get these in at 90, then we are getting rid of a paper liability of \$1,000,000 for a lesser sum. What becomes of that money? Where did it go?

Sir HENRY THORNTON: You have that, Mr. Henry.

Mr. HENRY: Mr. Cooper can answer that.

Mr. COOPER: That would be credited to profit and loss account.

Sir HENRY DRAYTON: The effect would be to include this in the year's business?

Mr. COOPER: Not in the year's business, but in the profit and loss account. The year's business is in the income account.

Sir HENRY DRAYTON: What account do you put it in?

Mr. COOPER: I think it would go in "Miscellaneous credits."

The CHAIRMAN: It does not appear in profit in operating the road?

Mr. COOPER: No.

Sir HENRY DRAYTON: We are getting a pretty good income, are we not, from the Victoria Bridge?

Sir HENRY THORNTON: Yes.

Sir HENRY DRAYTON: Is that keeping up well, Sir Henry?

Sir HENRY THORNTON: The Income? Yes. As a matter of fact, the traffic over the Victoria bridge is much greater than the capacity of the highway to handle it.

Sir HENRY DRAYTON: At one time there was the idea that we could get more out of that bridge if we were to re-arrange it so that the highway traffic could use both sides of it.

Sir HENRY THORNTON: Yes, we studied that, and we found that the bridge was working up to its capacity, and the only way in which we could get an additional highway would be to put it on the opposite side, and take the trolley cars off, and put them on the steam line, but that involved a very heavy expense for signalling, to properly protect the traffic.

Sir HENRY DRAYTON: It seems to me there was a report on that, to the effect that it would cost about \$125,000.

Sir HENRY THORNTON: Something like that. I have a complete report on whole thing. We concluded that we needed the money more urgently for other things, and we did not do it.

Sir HENRY DRAYTON: Can you let us have that report?

Sir HENRY THORNTON: Yes, we will make a note to look up that report.

The CHAIRMAN: Any other unanswered questions?

Mr. HARRIS: Yes, Mr. Chairman. One with regard to the rate paid for a 20-year lease of property at Bay and Temperance Streets, Toronto, for telegraph purposes.

Mr. HENRY: I think it was approximately, \$40,000. One dollar and a half per foot.

Mr. HARRIS: Where is the building?

Mr. VAUGHAN: It is at Bay & Temperance Streets; a new building on the S. E. corner.

The CHAIRMAN: Does that complete the questions?

Hon. Mr. DUNNING: I have one question, arising out of Sir Henry Drayton's question yesterday. I understood you, Sir Henry, to ask for confirmation of some figures you had used and which I was unable at the time to confirm. Was the answer confirmatory of the question upon those figures?

Mr. COOPER: Yes. The figures referred to were shown on page 3385 of Hansard. The first column shows "Net National Debt, Fiscal Year ended March 31."

Sir HENRY DRAYTON: I did not ask as to that. We are agreed on that.

Mr. COOPER: The second column shows:

By Cash Loans. Treated as inactive assets, and not deducted from gross debts.

Those are the Finance Department figures, and there is a certain amount of overlapping between the Finance Department and the Railways. There are certain credits in there, received by the Finance Department, applying to the advances made on the previous year's legislation. We would show the net of those advances against the legislation in the years in question. The figures themselves are correct.

Sir HENRY DRAYTON: The figures are the figures of the country charged against the railway in those years.

Mr. COOPER: Yes.

Sir HENRY DRAYTON: You may distribute them later on for yourselves, but those are the charges in the country's books, against the railway.

Hon. Mr. DUNNING: That is in 1921, for the whole thing.

Mr. COOPER: I am speaking of cash advances. The third column shows: "By guarantee of bonds." The amount of bonds guaranteed is also correct, but there has not been included any guarantees under the actual 1919 legislation in connection with the Grand Trunk acquisition.

Hon. Mr. DUNNING: That is important in relation to your point, Sir Henry.

Sir HENRY DRAYTON: Will you repeat that, Mr. Cooper?

Mr. COOPER: There is nothing included in this column with reference to the guarantees given in connection with the Grand Trunk acquisition.

Sir HENRY DRAYTON: Then, do you want to add to those guarantees?

Mr. COOPER: I think that if you inquire what were the guarantees given in that fiscal year—

Sir HENRY DRAYTON: To which year are you referring?

Mr. COOPER: This is 1920, March, 1920.

Sir HENRY DRAYTON: How many more guarantees were given?

Mr. COOPER: There was a guarantee of \$216,000,000, that is as far as the Grand Trunk guarantee of debenture stocks is concerned.

Sir HENRY DRAYTON: Did you look upon that as a guarantee bond?

Mr. COOPER: It was guaranteed by the Government in respect to the interest on the bonds.

Sir HENRY DRAYTON: That was the underlying acquisition of the property you were referring to. I just want to get the fact, that is all. That was what was paid for the acquisition of the whole Grand Trunk, the original payment,

and what you call the guarantee is not a guarantee of debentures at all, in any way; it is the carrying out of the agreement made between the company and the Grand Trunk. Is not that right?

Mr. COOPER: Yes, sir.

Sir HENRY DRAYTON: Yes, that is right. Then apart from that, can you suggest anything wrong with those figures?

Mr. COOPER: No, sir.

Hon. Mr. DUNNING: Does that guarantee become a part of this country's debt? That is what you were discussing, and these are the figures you are trying to get confirmed.

Sir HENRY DRAYTON: I am trying to get the guarantee given from time to time for carrying these railways.

Hon. Mr. DUNNING: It seems to me that if the country guarantees the interest on \$216,000,000, the country is certainly obligated therefore.

Sir HENRY DRAYTON: The question is, is the Grand Trunk worth it? We were taking into capital account the whole assets of the Grand Trunk, and that is about the only thing making money at the present time.

The CHAIRMAN: Let us have the question, Sir Henry (Drayton).

Sir HENRY DRAYTON: Is there anything else?

Mr. COOPER: In the fourth column it shows the redemption of debt. Those figures are correct, except in respect of the years 1920, when there were no figures shown. I am not just sure of the intention there, Sir Henry. You do not show any figures for 1920.

Sir HENRY DRAYTON: Just, "For redemption purposes."

Mr. COOPER: Does that mean that the cash on the guarantees was for redemption purposes?

Sir HENRY DRAYTON: No, that there were redemptions which would equal seventeen million odd.

Mr. COOPER: There were more. There were six millions in addition to cash. In addition to the \$17,109,027 of redemptions through bond guarantees, there was \$6,114,237.42 of redemption through cash advances.

Sir HENRY DRAYTON: That is right.

The CHAIRMAN: Does the Committee want to hear this? It is getting to be a conversation between Sir Henry Drayton and Mr. Cooper.

Mr. POWER: Yes, I would like to hear this. I do not know what it is about.

The CHAIRMAN: Then if the gentlemen will resume their seats, we will continue in the regular way.

Sir HENRY DRAYTON: We will get it out in such a way that you will all hear it.

This statement is a statement headed "Aid to Railways" and it appears at page 3385 of Hansard of this year.

Hon. Mr. DUNNING: If you will come over here, Mr. Cooper—I am interested in this and I would like it cleared up. It is Sir Henry Drayton's statement.

Sir HENRY DRAYTON: No, it is a statement of the Finance Department of this country, and we are seeing whether it is made rightly or wrongly. Now, the statement covers the years, 1920 to 1925, inclusive. Is that right?

Mr. COOPER: Yes. The fiscal years.

Sir HENRY DRAYTON: The statement shows in the first column: "Net National Debt, Fiscal Year ended March 31st," for those years. I do not ask as to that. Those are the figures of the Finance Department.

The CHAIRMAN: Nothing to do with the railways.

Sir HENRY DRAYTON: And have not to do with the railways. The next column shows: "Cash loans," extended by the country to the railways. Now,

we will take the year 1920 and this shows that there is a cash advance of \$45,-780,690. Is that sum correct?

Mr. COOPER: My answer to that is, that those figures are the figures of the Finance Department. They do not necessarily agree exactly with the Railway for each particular year, but all in all, they are correct.

Hon. Mr. DUNNING: That is for all the years put together?

Mr. COOPER: If you take the prior years as well. These six years by themselves in total would not agree with the six years of the railway.

The CHAIRMAN: Do you mean that 1919 would overlap into 1920?

Mr. COOPER: 1920 would overlap into some of the prior years.

Hon. Mr. DUNNING: That is the point I am getting at.

Sir HENRY DRAYTON: I am particularly interested in finding out if anything is wrong with the country's book-keeping.

Mr. COOPER: I cannot say that.

Sir HENRY DRAYTON: But you are challenging these figures.

Mr. COOPER: I am not challenging them at all. I am prepared to say they are correct.

Sir HENRY DRAYTON: Then, that is all I am interested in.

The CHAIRMAN: We could hardly expect him to say anything, except about the Railway's books.

Sir HENRY DRAYTON: He has just made a answer to the question, and the Chairman puts in something else. Does your answer stand, Mr. Cooper?

Mr. COOPER: My answer stands. We have agreed with the Finance Department as of December 31st, 1925, as to the total cash advances by the Government to the railways. But by years, the figures will not agree.

Hon. Mr. DUNNING: When Sir Henry is asking you to confirm a statement made by him, which commences at a particular year, you call attention to the fact that the commencing date may and in fact does overlap with previous years.

Mr. COOPER: Yes.

Hon. Mr. DUNNING: That is the point I want to get brought out clearly.

Sir HENRY DRAYTON: Then we will take the guaranteed bonds for that year, \$17,100,027. Were those given that year, or is there an overlap there?

Mr. COOPER: No, they were given in that fiscal year.

Sir HENRY DRAYTON: That is a matter of importance. They were given in that fiscal year. Is there any suggestion from anyone that that is not so? All right. Then, were the retirements in that year not only of the seventeen million odd of endorsements, but six million plus?

Mr. COOPER: The entire guarantees were used for refunding purposes and in addition there were six million plus out of the cash advances.

Sir HENRY DRAYTON: Quite so. Now, is there any trouble about that?

Hon. Mr. DUNNING: Is that six million included in your statement, Sir Henry?

Sir HENRY DRAYTON: The six million will be found as part of the forty-five million.

Hon. Mr. DUNNING: In the first column?

Sir HENRY DRAYTON: Yes. Then in the next years, were the guarantees as great as fifty million and up?

Hon. Mr. DUNNING: Before we leave that—Mr. Cooper, when you were speaking a few minutes ago, you made a statement with reference to the Grand Trunk. Now, the Grand Trunk is a part of our railway system. In that year, 1920 were there guarantees given in addition to the seventeen million here mentioned, with respect to the Grand Trunk?

Mr. COOPER: Yes, there certainly were.

Sir HENRY DRAYTON: Now, were those guarantees of bonds, in the ordinary sense at all, or were they guarantees given for the acquisition of the whole of that system, under the agreement?

Mr. COOPER: I do not think that is altogether a question that I should answer, but I am prepared to state, that my understanding of the situation was that in that year the Government gave a guarantee as to the Grand Trunk debenture, and the Grand Trunk guaranteed stock holders, of payment of the interest on the debenture stock.

Sir HENRY DRAYTON: Under the agreement?

Mr. COOPER: Under the acquisition agreement.

Sir HENRY DRAYTON: At what price do you set up in your books the total assets of the Grand Trunk which you brought in under that agreement?

Mr. COOPER: I have not the figures here.

Sir HENRY DRAYTON: Will you please look that up, since the Minister has raised that point? Now then, were you correct when you said a moment ago that this was a guarantee of debenture stock of the Grand Trunk?

Mr. COOPER: I said, of the interest on the debenture stock.

Sir HENRY DRAYTON: Then it was not a guarantee of bonds.

Mr. COOPER: It was a guarantee in that year.

Sir HENRY DRAYTON: You tell me that it is a guarantee of interest on stocks: was it a guarantee of bonds? You recognize there is a difference between a bond issue and a stock issue.

Mr. COOPER: There is a distinction, there is no question about that.

Sir HENRY DRAYTON: You recognize that there is a distinction, as between a guarantee of interest, and a guarantee of principal.

Mr. COOPER: There is a distinction.

Sir HENRY DRAYTON: That being so, were there any bonds issued that year over and above the bonds set out here, guaranteed?

Mr. COOPER: No, sir.

Sir HENRY DRAYTON: There were not. Then I think we can leave that. Now, let us go on to the next item.

Hon. Mr. DUNNING: Before you pass from that, let me ask you this question.

Sir HENRY DRAYTON: One minute, please, I have the witness just now.

Hon. Mr. DUNNING: Surely I can ask a question, relating to the item under discussion.

The CHAIRMAN: Before you pass from that, yes; go on.

Sir HENRY DRAYTON: The whole thing is under discussion.

The CHAIRMAN: We do not want to interrupt you.

Sir HENRY DRAYTON: You have interrupted me.

The CHAIRMAN: But no one has a right to monopolize the witness. A question put in order to clean up a particular item, I think is perfectly reasonable, and it should be asked now.

Hon. Mr. DUNNING: Mr. Cooper, this interest that was guaranteed in that year, was guaranteed in perpetuity?

Mr. COOPER: Yes, sir.

Hon. Mr. DUNNING: What difference is there in fact, from an accounting point of view, between interest which is guaranteed in perpetuity on a security, and a guarantee of the security itself?

Mr. COOPER: I think there is a distinction. I do not know just how we would show that.

Hon. Mr. DUNNING: What difference to the investor?

Mr. COOPER: The guarantee of a maturing interest for the life of the issue—as far as the investor is concerned, there is no difference.

Hon. Mr. DUNNING: Now this statement here is headed "Aid to Railways." That is the statement you were asked to confirm?

Mr. COOPER: Yes, sir.

Hon. Mr. DUNNING: Do you regard the guarantee of interest in perpetuity, which occurred in that year, as "aid to railways."

Mr. COOPER: No, it was made to the stockholders.

Sir HENRY DRAYTON: Under no special imagination, except the Minister's, could the acquisition of a property, be construed as "aid to railways." The heading of this thing is the aid to our railways to let them carry on. It has nothing whatever to do with the acquisition of a railway.

Hon. Mr. DUNNING: I submit, in answer to that, Mr. Chairman, that many of the items under bond guarantee were cash advances, and did deal with similar matters, the acquisition of property, the aid to the property, the acquiring of assets either by construction or by purchase, and I submit, Sir, that the acquisition of the Grand Trunk was on all fours with the acquisition of any other part of the property, either by purchase or erection.

Sir HENRY DRAYTON: Very good.

Hon. Mr. DUNNING: We can be happy together, Sir Henry.

Sir HENRY DRAYTON: No, I am following it up to see whether that statement is correct. Now, the Minister has just stated, that that is just the same as some of these other guarantees, that they are for the acquisition of property.

Hon. Mr. DUNNING: No.

Sir HENRY DRAYTON: Then what was his statement, because I cannot understand it.

Hon. Mr. DUNNING: My statement will be on the record.

Sir HENRY DRAYTON: It is better to clean it up as we go along.

The CHAIRMAN: Do you desire to argue it with the Minister? I thought you were questioning the witness?

Sir HENRY DRAYTON: So I am. I thought that it would be a good thing to get rid of the witness with me, but you did not think so, so I want to clear up the Minister's point. What properties were acquired, if any, out of the proceeds of those guaranteed bonds?

Mr. COOPER: I should say that technically, none.

Sir HENRY DRAYTON: Quite right. It is not only technically, but as a matter of fact, none.

Hon. Mr. DUNNING: What do you mean by technically, Mr. Cooper?

Mr. COOPER: I mean that the Government obtained control of the stock, and not of the physical property.

Hon. Mr. DUNNING: In the case of the Grand Trunk, you are speaking of?

Sir HENRY DRAYTON: I am not speaking of the Grand Trunk. You take that statement in front of you, and take your column—you need not confine yourself to one year, perhaps we had better take it year by year—of that seventeen million odd, how much of that went to the acquisition of new property?

Mr. COOPER: None.

Hon. Mr. DUNNING: Did any of it go to the building of new lines?

Mr. COOPER: It went to the refunding of Canadian Northern issues.

Hon. Mr. DUNNING: Were any of the cash advances that year used for adding to the property?

Mr. COOPER: Yes.

Sir HENRY DRAYTON: The Minister did not say cash advances. He was speaking of the guarantee of bonds, and I am going to try to get you back to the same point. The whole question here is going to be clouded. Now, take the next one; there is fifty million dollars issued, "Guarantee of Bonds." Did any of that go for the acquisition of new property?

Mr. COOPER: Yes.

Sir HENRY DRAYTON: How much.

Mr. JELLIFF: What year was that, Sir Henry?

Sir HENRY DRAYTON: 1921. I think you are wrong there, Mr. Cooper. It could not possibly be that year, if your former evidence is right. But your evidence may be all wrong. I do not know. If that all went for refunding purposes, it could not possibly have gone to buying new property.

Mr. COOPER: I cannot answer in regard to 1921 and 1922. I have the details of the guarantee of issues in 1923-24-25.

Sir HENRY DRAYTON: I have not got to those though. I am taking one thing at a time. I am pointing out to you that your last answer cannot possibly be correct, if your former evidence was right. You cannot possibly pay off more than your total issue of guarantees, outstanding securities, and at the same time buy new property.

Mr. COOPER: The redemption of debt in the last column is both by guaranteed issues, proceeds, and cash advances.

Sir HENRY DRAYTON: I am keeping you to your guarantees here. My whole point in your statement is this; if you do not understand it, so long as the guarantees of bonds issued do not exceed the amount of retirements, there is no necessity to charge as public debt any part of the liability of guaranteeing the bonds, because, as a matter of fact, we are not increasing our liability there. And when there are debt retirements to the extent of that surplus, there ought to be an addition to the capital debt. Now, what I want to get from you is this; really as to whether your former evidence is true or not. There was a guarantee of bonds of \$50,000,000, and total debt retirements, of \$56,000,000. I think you said those things were right.

Mr. COOPER: That is correct.

Sir HENRY DRAYTON: Well then, 1922. Can you say anything about acquiring new property there out of those bonds.

Mr. COOPER: I would state as against the 1922 item, what I said as to the 1921 item; that there was in all probability property acquisition out of those issues.

Sir HENRY DRAYTON: I do not like those words, "in all probability."

The CHAIRMAN: Can you get that, accurately?

Hon. Mr. DUNNING: Will you bring here a statement showing the total property acquisition in 1921 and 1922 and the other missing years? Property acquisition out of the proceeds of guaranteed bonds.

Sir HENRY DRAYTON: I would like to know how he can do that.

Hon. Mr. DUNNING: If he says he can, I am satisfied with his answer.

Sir HENRY DRAYTON: I would like to know how he can do it, because I don't exactly know how he can make an apportionment of a loan which is not apportioned.

Mr. COOPER: We have the apportionment of the proceeds of every guarantee.

Sir HENRY DRAYTON: It is done afterwards, when you are making your general accounts, and making your allocations.

Mr. COOPER: No sir. As we draw money down, we have to file a certificate of the actual expenditures, before the Minister of Finance releases the money.

Sir HENRY DRAYTON: And these are here just as stated on the books of the company, but then you say there have to be adjustments made, because there are certain adjustments to be made here; therefore you cannot say that the figures are absolutely correct.

Hon. Mr. DUNNING (To Mr. Cooper): Do you say that the figures are not absolutely correct? On this apportionment, on that certificate to the Minister of Finance—you would have to make the apportionment. Do you change that afterwards?

Mr. COOPER: They are sometimes adjusted.

Hon. Mr. DUNNING: Will you bring a memo. of any adjustments made during the years in question, when you bring the memorandum just referred to?

The CHAIRMAN: What do you mean by adjustments?

Mr. COOPER: We might have an issue, and the proceeds would be drawn down temporarily for general purposes, and when the Finance Minister was prepared to make a cash advance to the railways, the proceeds would be repaid, and then they would be redrawn down, according to the actual certificates themselves. For instance, in 1925, we had an issue of \$10,000,000, and it was arranged that the Railway General Account should have the temporary use of \$6,000,000. When the Minister paid us the \$10,000,000 in the beginning of 1926, we paid the \$6,000,000 back into the proceeds, and then there would be drawn down for the purposes of legislation—

Hon. Mr. DUNNING: And your final adjustment is for the purpose of legislation?

Mr. COOPER: Yes, sir.

Sir HENRY DRAYTON: Taking it the other way; you have current cash, and you make payments from time to time out of that. After having made your payments from time to time out of that, and charging them to that account, you are in a position where you have to have cash from the Minister, and you go and get cash from the Minister.

Mr. COOPER: As a rule, we have to finance all betterments out of general cash. We have to produce evidence that we have spent the money before the Minister pays it out of the proceeds.

The CHAIRMAN: He can finally show exactly how the money was disposed of in accordance with the legislation?

Sir HENRY DRAYTON: The legislation does not show the proceeds of these bonds. It was the Minister's suggestion, but I do not think you will find that it so shows at all.

Mr. COOPER: The legislation is very broad—

Sir HENRY DRAYTON: It is very broad, you are right.

Mr. COOPER: The point is, that we have to show definitely to the Department how we have spent our money, and when these statements are agreed between us and the Department, they are financed.

The CHAIRMAN: You are agreed on that?

Hon. Mr. DUNNING: My point is that in 1921 the proceeds of the bonds were in fact, as will be demonstrated when we get the statement, used partly for improvements to the property, and repairing, or the setting up of other assets.

Mr. COOPER: I cannot speak definitely as to 1921 and 1922.

Hon. Mr. DUNNING: But you will bring a statement?

Mr. COOPER: Yes sir.

Sir HENRY DRAYTON: (To Mr. Cooper) It is the Minister's evidence there, not yours.

Hon. Mr. DUNNING: I object to that. I am asking for the actual evidence to be brought, and it will not be either mine, or yours, or Mr. Cooper's; it will be a statement of facts.

The CHAIRMAN: Will you proceed, Sir Henry (Drayton)?

Sir HENRY DRAYTON: There is no use interrupting this examination now for the purpose of getting a statement here and there; we will go on when we get the whole thing. I will not bother any more at the moment.

The CHAIRMAN: Are there any other unanswered questions?

Discussion followed, which was deleted from the record by direction of the Chairman, with the consent of the committee.

The CHAIRMAN: Let us go on. Are there any further questions before we proceed with the estimates?

Mr. BELL (St. Antoine): I have a question dealing with unfinished business.

Discussion followed.

Mr. HARRIS: Mr. Chairman, I asked on June 8th, where, in the Balance Sheet, we would find the revenues from the sales of different properties. I understand that on account of the different properties now under the management

of the Canadian National System being acquired from these different entities, that is, the government railway acquired from the government, the Grand Trunk in due course acquired as it was, and the Grand Trunk Pacific, the method of treating these different revenues from the sales of properties has to be a little different. I think Mr. Henry has a general statement covering the method, and I would be very glad if he would put that on the record.

The CHAIRMAN: Have you that statement, Mr. Henry?

Sir HENRY THORNTON: Mr. Harris, do you wish the statement field, or read, or both?

Mr. HARRIS: As long as it is put on the record, I don't mind. What I would like to know particularly about, is as to what particular portion of the assets are in property—what particular part has to come before the Council or has to be approved by Order in Council, before these sales can be consummated.

Sir HENRY THORNTON: (Reading):

The practice of the Canadian National Railways with respect to the sale of properties not now required for railway purposes, is as follows:—

In connection with those railways having mortgage indebtedness, trust deeds provide that the proceeds received from the sale of property disposed of shall be deposited with the trustee, and is released from time to time by the trustee to be expended in the purchase of other land or the making of other investments on the properties covered by the respective mortgages.

In the case of the sale of land belonging to the Canadian Government Railways, the proceeds of such sale are credited to the Receiver General, or, with the consent of the Department, applied to the purchase of other lands or betterments required in connection with the operation of the Canadian Government Railways.

In the case of the sale of property belonging to the Grand Trunk Railway Company of Canada, the proceeds are, with the approval of the Governor-in-Council, applied to the purchase of other land or betterments required for extension purposes.

The CHAIRMAN: Is that satisfactory, Mr. Harris?

Discussion followed resulting in an amendment to the foregoing statement which now appears as amended.

The CHAIRMAN: Are there any further questions? May we go on then with the estimates proper? You have the sheet before you "Loans to Canadian National Railway Company". Item 372, as follows:

ESTIMATES, 1926-27

LOANS TO CANADIAN NATIONAL RAILWAY COMPANY AND CANADIAN GOVERNMENT MERCHANT MARINE, LIMITED

No. of Vote	Details	1926-27	1925-26	Compared with Estimates of 1925-26	
				Increase	Decrease
		\$ cts.	\$ cts.	\$ cts.	\$ ct
	LOANS TO CANADIAN NATIONAL RAILWAY COMPANY				
372	<p>Amount not exceeding \$31,000,000.00 to meet expenditures made or indebtedness incurred (where amounts available from net operating income or investments may be insufficient) by or on behalf of the Canadian National Railway Company, herein called "THE COMPANY", or any Company specified or referred to in Chapter 13 of the Statutes of Canada, 1919, and Chapter 13 of 1920 or now or hereafter comprised in the Canadian National Railways or by the Company in respect of any railways, properties and works entrusted to it from time to time under the provisions of Section 11 of Chapter 13 of the Statutes of Canada, 1919, or any one or more of such Companies, on any or all of the following accounts, such expenditures or indebtedness being herein called authorized expenditures:—</p> <p>(a) Interest on securities, notes and other obligations; rentals for lease of lines;</p> <p>(b) Equipment Principal Payments; Sinking Funds; Miscellaneous Maturing or Matured Notes and other obligations secured or unsecured;</p> <p>(c) Operating Income deficit, whenever incurred or ascertained;</p> <p>(d) Construction and betterments, including co-ordinations; acquisition of real or personal property.</p> <p>The amount herein authorized may be applied from time to time to meet authorized expenditures, in the discretion of the Governor in Council:—</p> <p>(a) In respect of railways, properties and works entrusted to the Company as aforesaid;</p> <p>(b) In respect of railways, properties and works not so entrusted by way of loans in cash, or by way of guarantee, or partly one way and partly the other, subject, however, as follows:—</p>				

LOANS TO CANADIAN NATIONAL RAILWAY COMPANY AND CANADIAN GOVERNMENT MERCHANT MARINE, LIMITED—Continued

No. of Vote	Details	1926-27	1925-26	Compared with Estimates of 1925-26	
				Increase -	Decrease -
		\$ cts.	\$ cts.	\$ cts.	\$ cts.
	LOANS TO CANADIAN NATIONAL RAILWAY COMPANY—Continued				
372	<p>If by way of loans, the amount or amounts advanced to any one or more of the said Companies shall be repayable on demand, with interest payable half-yearly at the rate fixed from time to time by the Governor in Council, secured if and when directed by the Governor in Council by mortgage or mortgages upon such properties, in such form and containing such terms and conditions, not inconsistent herewith, as the Governor in Council may approve.</p> <p>If by way of guarantee, any such guarantee may be either a general guarantee, covering the total amount of the issue, or by a separate guarantee endorsed on each obligation, and may be of the principal, interest and sinking funds (if any) of the notes, obligations or securities of one or more of the said Companies specified by the Governor in Council, which notes, obligations or securities the Companies so specified are hereby authorized to make and issue, and such guarantee may be signed by the Minister of Finance, or such other person as the Governor in Council may authorize, on behalf of His Majesty, in such form and on such terms and conditions as the Governor in Council may determine to be appropriate and applicable thereto. Any guarantee so signed shall be conclusive evidence for all purposes that the provisions of this enactment have been complied with.</p> <p>Each Company herein mentioned or referred to is hereby authorized to aid and assist, in any manner any other or others of the said Companies, and, without limiting the generality of the foregoing, may for its own requirements and also for the requirements of any or all of such other Companies from time to time:—</p> <p>(a) Issue notes, obligations or other securities, joint or several, at discretion, for the purposes of any guarantee made or to be made under the provisions of this enactment;</p> <p>(b) Apply the proceeds of any such guaranteed issue, or the amount of loans received by virtue of this enactment, in meeting authorized expenditures on its own account or on account of any or all of such other Companies;</p>				

LOANS TO CANADIAN NATIONAL RAILWAY COMPANY AND CANADIAN GOVERNMENT MERCHANT MARINE, LIMITED—Concluded

No. of Vote	Details	1926-27	1925-26	Compared with Estimates of 1925-26	
				Increase	Decrease
		\$ cts.	\$ cts.	\$ cts.	\$ cts.
	LOANS TO CANADIAN NATIONAL RAILWAY COMPANY—Concluded				
372	(c) Make advances for the purpose of meeting authorized expenditures to any or all of such other Companies, upon or without any security, at discretion. No purchaser of such guaranteed notes, securities or obligations shall be under any obligation to inquire into the application of the proceeds of any guaranteed issue	31,000,000 00	50,000,000 00	19,000,000 00

Sir HENRY DRAYTON: We usually get a statement from the President first.

The CHAIRMAN: Sir Henry (Thornton), will you proceed?

Sir HENRY THORNTON: The particulars of the \$31,000,000 are as follows:
Interest and funded debt—\$36,540,598.34.

Sir HENRY DRAYTON: That is interest and funded debt payable to the public?

Sir HENRY THORNTON: Yes. Grand Trunk Pacific Guaranteed interest—\$1,108,080.

Sir HENRY DRAYTON: Which guarantee is that, Sir Henry (Thornton)? Is that the \$24,000,000?

Mr. COOPER: The Grand Trunk Pacific A and B, and Lake Superior.

Sir HENRY DRAYTON: That is the one that comes down from Winnipeg to Armstrong?

Mr. COOPER: Yes.

Sir HENRY DRAYTON: These are the ones the country guaranteed?

Mr. COOPER: The Grand Trunk guaranteed.

Sir HENRY DRAYTON: Did we pay this last year?

Mr. COOPER: Yes.

Hon. Mr. DUNNING: Four and a half guaranteed stock.

Sir HENRY THORNTON: Sinking fund payment, \$165,133.33; Equipment Principal Payments, \$7,397,400; Dividends on G.T.R., 4 per cent guaranteed stock, \$2,433,333.33.

Sir HENRY DRAYTON: That is what we are paying?

Sir HENRY THORNTON: Yes. Retirement of Capital Obligations, \$808,000; Total Financial Requirements, \$48,452,545 less resources of \$34,379,829, leaving net financial requirements of \$14,072,716, to which add new equipment, series J, (\$3,000,000), \$1,000,000; General Additions and Betterments, \$14,727,284; Discount on Securities to be issued, \$1,200,000 making a net total of \$31,000,000.

Sir HENRY DRAYTON: Have you a list of the new requirements there? Take, for example, your \$14,000,000.

Sir HENRY THORNTON: Yes. I take it, Sir Henry, what you want to know is in a general way, for what purpose that \$14,000,000 is to be provided. Will you go into that, Mr. Henry? You have the details there.

Mr. HENRY: The \$14,727,000 is in that figure. It, together with the million dollars for new equipment totals \$19,127,000 from which is deducted \$3,400,000 representing retirements, or the amount of the money received from

operating expenses due to the retirement for the salvage value of equipment, and material. The details of that nineteen million dollars are as follows:—

General betterments throughout the system..	\$12,888,677
Hotel Department..	336,300
Railway Telegraphs..	158,534
<hr/>	
* Making a total for those general items of..	\$13,383,511
There are betterments to equipment totalling \$2,825,000.	
Canadian National Telegraph Company..	\$ 435,201
G.N.W. Telegraphs..	264,799
Canadian National Express..	50,000
Colonization Department..	5,000
Radio Department ..	53,000
Stores Department, Building and Facilities..	193,363
Traffic Department..	36,000
Finance and Accounting Department..	10,000
Legal and Tax Department..	153,300
Fire protection..	181,250
Montreal and Southern Counties..	100,000
Electric Lines in Ontario..	601,930
Oshawa Railway..	57,470
Thousand Islands Railway..	35,600
Canadian National Steamship Company ..	5,000
Central Vermont..	736,760
<hr/>	
A total of..	\$19,127,284

Mr. JELLIFF: You state that there are certain resources there, Sir Henry, to be deducted from your total requirements of \$48,000,000. Will you state generally what those resources consist of?

Sir HENRY THORNTON: There was a deduction of \$34,379,829. That represents the net income from the operation of the railway, which would apply to the credit of the account. Of course, that can only be an estimate.

Mr. JELLIFF: That is estimated on your last year's work.

Sir HENRY THORNTON: That of course necessarily must be a safe estimate.

The CHAIRMAN: Are there any further questions on that?

Mr. HEAPS: I think Sir Henry Drayton was going to ask some questions.

Mr. BOYS: He has been called out. I cannot say that I know what is in his mind.

Mr. HEAPS: Would it be out of place, if I suggest that we adjourn now? We have to meet at two o'clock in the House.

The CHAIRMAN: The motion to adjourn is quite in order; unless you think you can pass this.

Mr. POWER: There are some matters about the Merchant Marine that we might pass.

Mr. BOYS: There was some information about the Merchant Marine that I was to get.

The CHAIRMAN: Mr. Teakle is here. Do you wish to adjourn, or to continue with the Merchant Marine?

Mr. HEAPS: If it is a lengthy question which Mr. Boys intends to ask, I think we should adjourn.

Mr. BOYS: It is not lengthy at all.

Mr. HEAPS: Then let us get through with it.

The CHAIRMAN: We will have a show of hands as to whether we adjourn? We will proceed. Mr. Teakle will you give the answer to Mr. Boys on the Merchant Marine.

Sir HENRY THORNTON: I think Mr. Boys' question related to ships that were sold. There is a file of correspondence on that that we would rather go over with him privately.

Mr. BOYS: That would probably be the better way.

Sir HENRY THORNTON: It is all clear.

Mr. HENRY: General Clark asked for current prices in Canada and in England of new vessels of the same type sold by the Canadian Government Merchant Marine.

Mr. TEAKLE: I would like to say, Mr. Chairman, that these prices are only approximate. We wired to Collingwood, where some of the smaller ships were built, and we cabled to England, and we tried to get continental prices, but up to my leaving the office at seven o'clock last night, we had not got that information. In all the messages in answer, they say, "approximate." It is my opinion that if you wanted to build that type of ship you could get a better price naturally than is shown in these figures.

Sir HENRY THORNTON: This statement shows the vessel, the dead weight tonnage, the original cost, the amount written off for depreciation, the price for which it was sold, and the approximate cost of building similar steamers to-day; two columns, one showing the price in Canada, and the other the price in the United Kingdom.

The CHAIRMAN: Where is it cheaper?

Sir HENRY THORNTON: In the United Kingdom. Take a typical case of the "S.S. Miner." That vessel would cost \$277,800 to build in Canada, and it would cost \$194,000 to build in the United Kingdom. So that the United Kingdom prices are materially lower than the Canadian.

Mr. HEAPS: Two-thirds of the Canadian.

Sir HENRY THORNTON: Materially lower than the price in Canada. Shall we just file that.

Mr. BOYS: I think that is all that is necessary. Is there a spare copy?

The CHAIRMAN: No. It will go on the record.

CANADIAN GOVERNMENT MERCHANT MARINE, LIMITED

STATEMENT GIVING PARTICULARS OF VESSELS SOLD, DEPRECIATION WRITTEN OFF AND APPROXIMATE COST OF BUILDING SIMILAR TYPES OF VESSELS AT TODAY'S PRICES IN CANADA AND UNITED KINGDOM

Vessel	Dead-weight Tonnage	Original Cost	Depreciation Written Off	Sold for	Approximate Cost of Building Similar Steamers Today	
					Canada	United Kingdom
		\$ cts.	\$ cts.	\$ cts.	\$ cts.	\$ cts.
S.S. Can. Miner.....	2,778	583,467 40	77,627 07	96,000 00	277,800 00	194,000 00
" Sealer.....	2,776	583,362 66	77,435 29	96,000 00	277,600 00	194,000 00
" Logger.....	3,838	704,120 54	63,136 69	100,000 00	383,800 00	242,500 00
" Pathfinder.....	3,640	957,232 90	114,705 88	50,000 00	364,000 00	229,600 00
" Engineer.....	3,678	1,013,102 81	117,148 78	50,000 00	367,800 00	229,600 00
" Adventurer.....	3,408	717,467 49	131,475 18	40,000 00	340,800 00	216,843 00
" Sailor.....	3,357	690,409 84	129,669 88	40,000 00	335,700 00	216,843 00
" Signaller.....	3,975	814,926 25	152,546 67	40,000 00	397,500 00	255,110 00
" Sower.....	3,406	716,856 63	130,509 08	40,000 00	340,600 00	216,843 00
" Trader.....	3,341	686,905 38	129,747 81	40,000 00	334,100 00	216,843 00
" Warrior.....	3,995	819,671 26	158,645 16	40,000 00	399,500 00	255,110 00
" Harvester.....	4,000	730,914 67	135,309 77	50,000 00	400,000 00	255,110 00

Mr. HENRY: Then, a statement indicating the original cost of the vessels sold by the United States shipping board to Henry Ford, and the prices received for them.

Sir HENRY THORNTON: We have a list in all here of 199 steamers; it is a description of the type; the total dead-weight tonnage; the original costs, the

price for which they were sold to Ford; the cost per dead-weight ton; and the price sold per dead-weight ton. The price at which these steamers were sold per dead-weight ton is \$2.09.

Mr. HEAPS: What was our lowest price?

Sir HENRY THORNTON: It is interesting to note that the cost of those ships per dead-weight ton varied from about \$204 to \$213, and they were sold for \$2.09. Shall we file that, Mr. Boys.

Mr. BOYS: Yes.

(Document filed.)

MEMORANDUM OF STEAMERS SOLD BY UNITED STATES SHIPPING BOARD TO
HENRY FORD

Number of steamers	Types	Total dead- weight tons	Original cost	Price sold	Cost per dead- weight ton	Price sold per dead- weight ton
		Tons	\$ cts.	\$ cts.	\$ cts.	\$ cts.
54	3525 3630 Ton Type....	190,912	40,500,000 00	399,006 08	212 13	2 09
12	3515 3559 Ton Type....	42,318	9,000,000 00	88,444 62	212 67	2 09
50	5105 5340 Ton Type....	259,915	50,000,000 00	543,122 35	192 37	2 09
6	3364 Ton Type....	20,184	4,200,000 00	42,344 56	208 08	2 09
3	3303 3310 Ton Type....	10,020	2,100,000 00	20,941 80	209 58	2 09
51	4165 Ton Type....	212,415	43,350,000 00	443,947 35	204 08	2 09
1	4155 Ton Type....	4,155	850,000 00	8,683 95	204 57	2 09
4	3268 3293 Ton Type....	13,147	2,800,000 00	27,477 23	212 98	2 09
16	3258 3320 Ton Type....	52,555	11,200,000 00	109,839 95	213 11	2 09
2	3323 Ton Type....	6,646	1,400,000 00	13,890 14	210 65	2 09
199		812,267	165,400,000 00	1,697,470 00	203 63	2 09

Mr. JELLIFF: That is for comparison with what figure?

Mr. TEAKLE: \$10.01. I would like to file this statement also, Mr. Chairman. This is a list of ships shown for sale by the Shipping Board on that date.

Mr. HEAPS: Is that the same date as of which the Canadian ships were sold?

Mr. TEAKLE: About the same period. This is a list of ships, advertised for sale by the United States Shipping Board, dated 4th February, 1925. They are pretty much the same. They run in value from \$25,000 up to about \$37,000. There are a great many. They sold to Mr. Ford on that basis.

Sir HENRY THORNTON: Are these in addition to those in the first statement?

Mr. TEAKLE: Yes. That I think should go in in the same way with these others.

Sir HENRY THORNTON: Were these ships sold to Ford?

Mr. TEAKLE: Those marked with an "X." The others are still out.

The CHAIRMAN: We will file that also and put it in the record.

(Statement filed.)

SELECT STANDING COMMITTEE

SALE PRICES AS OF FEBRUARY 4TH, 1925
 U.S. SHIPPING BOARD EMERGENCY FLEET CORPORATION
 1020—A TYPE

Name of Steamer	Dead-weight Tonnage	Original Cost		Selling Price		Selling Price per D. W. Ton
		\$	cts.	\$	cts.	
Connotton.....	3,630	750,000	00	25,000	00	6 88
Contocook.....	3,630	750,000	00	29,000	00	7 96
Copal Grove.....	3,630	750,000	00	25,000	00	6 88
*Lake Glebe.....	3,630	750,000	00	25,000	00	6 88
*Lake Glencoe.....	3,630	750,000	00	30,000	00	8 02
Proctor.....	3,630	750,000	00	31,000	00	8 54
Ceraloo.....	3,610	750,000	00	29,000	00	8 03
Cerosio.....	3,610	750,000	00	25,000	00	6 92
Cerro Gardo.....	3,610	750,000	00	33,000	00	9 14
Chamberino.....	3,610	750,000	00	32,000	00	8 87
Chamblee.....	3,610	750,000	00	34,000	00	9 42
Chaparel.....	3,610	750,000	00	32,000	00	8 87
Chappell.....	3,610	750,000	00	34,000	00	9 42
Chautaugue.....	3,610	750,000	00	37,000	00	10 25
*Calaveras.....	3,590	750,000	00	25,000	00	6 96
Calicorock.....	3,590	750,000	00	30,000	00	8 36
Calispell.....	3,590	750,000	00	25,000	00	6 96
*Lake Calicoon.....	3,590	750,000	00	33,000	00	9 18
*Lake Charlottesville.....	3,590	750,000	00	32,000	00	8 91
*Lake Strabo.....	3,590	750,000	00	31,000	00	8 63
*Lake Eckhart.....	3,525	750,000	00	26,000	00	7 37
*Lake Narka.....	3,525	750,000	00	27,000	00	7 66
Goodspeed.....	3,525	750,000	00	35,000	00	9 92
Goree.....	3,525	750,000	00	25,000	00	7 09
*Lake Akkra.....	3,525	750,000	00	31,000	00	8 79
*Lake Alvada.....	3,525	750,000	00	37,000	00	10 50
*Lake Aurice.....	3,525	750,000	00	30,000	00	8 51
*Lake Beacon.....	3,525	750,000	00	30,000	00	8 51
*Lake Benbow.....	3,525	750,000	00	26,000	00	7 37
*Lake Berden.....	3,525	750,000	00	34,000	00	9 64
*Lake Blanchester.....	3,525	750,000	00	34,000	00	9 64
*Lake Blensoc.....	3,525	750,000	00	25,000	00	7 09
*Lake Buckeye.....	3,525	750,000	00	28,000	00	7 95
*Lake Cahoon.....	3,525	750,000	00	35,000	00	9 92
*Lake Cathoon.....	3,525	750,000	00	31,000	00	8 79
*Lake Copley.....	3,525	750,000	00	30,000	00	8 51
*Lake Daucey.....	3,525	750,000	00	30,000	00	8 51
*Lake Daraga.....	3,525	750,000	00	25,000	00	7 09
*Lake Delancey.....	3,525	750,000	00	26,000	00	7 37
*Lake Desha.....	3,525	750,000	00	33,000	00	9 37
*Lake Duncan.....	3,525	750,000	00	35,000	00	9 92
*Lake Dymmer.....	3,525	750,000	00	31,000	00	8 79
*Lake Eliko.....	3,525	750,000	00	30,000	00	8 51
*Lake Elsmore.....	3,525	750,000	00	34,000	00	9 64
*Lake Ennis.....	3,525	750,000	00	25,000	00	7 09
*Lake Fondulac.....	3,525	750,000	00	37,000	00	10 50
*Lake Gakona.....	3,525	750,000	00	27,000	00	7 66
*Lake Garza.....	3,525	750,000	00	37,000	00	10 50
*Lake Gaspar.....	3,525	750,000	00	30,000	00	8 51
*Lake Gedney.....	3,525	750,000	00	32,000	00	9 08
*Lake Gorin.....	3,525	750,000	00	37,000	00	10 50
*Lake Gormanian.....	3,525	750,000	00	37,000	00	10 50
*Lake Govan.....	3,525	750,000	00	35,000	00	9 92
*Lake Hewes.....	3,525	750,000	00	30,000	00	8 51
*Lake Larga.....	3,525	750,000	00	25,000	00	7 09
*Lake Lasang.....	3,525	750,000	00	37,000	00	10 50
*Lake Ledan.....	3,535	750,000	00	25,000	00	7 09
*Lake Lemando.....	3,525	750,000	00	25,000	00	7 09
*Lake Lesa.....	3,525	750,000	00	35,000	00	9 92
*Lake Mattato.....	3,525	750,000	00	30,000	00	8 51
*Lake Ormoc.....	3,525	750,000	00	34,000	00	9 64
*Lake Otsquago.....	3,525	750,000	00	32,000	00	9 08
*Lake Pukaway.....	3,525	750,000	00	35,000	00	9 92
*Lake Yohara.....	3,525	750,000	00	32,000	00	9 08
*Lake Yelverton.....	3,525	750,000	00	31,000	00	8 79
*Lake Ypsilanti.....	3,525	750,000	00	27,000	00	7 66
*Lake Yemassee.....	3,525	750,000	00	29,000	00	8 24
*Lake Zaliski.....	3,525	750,000	00	26,000	00	7 37
Cedar Spring.....	3,610	750,000	00	33,000	00	9 37

U.S. SHIPPING BOARD EMERGENCY FLEET CORPORATION

1020 TYPE

Name of Steamer	Dead-weight Tonnage	Original Cost	Selling Price	Selling Price per D. W. Ton
		\$. cts.	\$. cts.	\$. cts.
*Lake Canaveral.....	3,559	750,000 00	37,000 00	10 40
*Lake Candelaria.....	3,559	750,000 00	37,000 00	10 40
*Lake Fear.....	3,559	750,000 00	32,000 00	8 99
*Lake Saba.....	3,559	750,000 00	31,000 00	8 71
*Lake Giradean.....	3,550	750,000 00	32,000 00	9 01
*Lake Lillicusun.....	3,545	750,000 00	25,000 00	7 05
*Lake Lecoco.....	3,545	750,000 00	28,000 00	7 90
*Lake Belnona.....	3,540	750,000 00	32,000 00	9 02
*Lake Pachuta.....	3,540	750,000 00	25,000 00	7 05
*Lake Osweya.....	3,515	750,000 00	25,000 00	7 05
*Lake Winooski.....	3,515	750,000 00	25,000 00	7 05

1042 TYPE

Connersville.....	3,364	700,000 00	25,000 00	7 43
Craincreek.....	3,364	700,000 00	25,000 00	7 43
Cranenest.....	3,364	700,000 00	33,000 00	9 75
Crathorne.....	3,364	700,000 00	25,000 00	7 43
Crawl Keys.....	3,364	700,000 00	25,000 00	7 43
Craycroft.....	3,364	700,000 00	30,000 00	8 91
*Lake Gardner.....	3,364	700,000 00	28,000 00	8 31
*Lake Janet.....	3,364	700,000 00	31,000 00	9 20
*Lake Marion.....	3,364	700,000 00	30,000 00	8 91
*Lake Pearl.....	3,364	700,000 00	27,000 00	8 02
*Lakeville.....	3,364	700,000 00	29,000 00	8 62

1044 TYPE

Corrales.....	3,303	700,000 00	29,000 00	8 78
Corsicana.....	3,303	700,000 00	32,000 00	9 66
*Lake Kytile.....	3,303	700,000 00	32,000 00	9 66
*Lake Linden.....	3,310	700,000 00	32,000 00	9 64
*Lake Wilson.....	3,310	700,000 00	32,000 00	9 64
Python.....	3,400	700,000 00	36,000 00	10 59

1144 TYPE

*Lake Conesus.....	3,305	700,000 00	34,000 00	10 29
*Lakehurst.....	3,305	700,000 00	27,000 00	8 17
*Lake Hemlock.....	3,305	700,000 00	29,000 00	8 77
*Lake Mary.....	3,305	700,000 00	27,000 00	8 17

1145 TYPE

*Lake Ontario.....	3,323	700,000 00	26,000 00	7 82
*Lakeview.....	3,323	700,000 00	25,000 00	7 52

* Included in 199 vessels sold to Mr. Henry Ford on

Mr. TEAKLE: Then here is another list of ships sold by the United States Shipping Board within the last five months.

Sir HENRY THORNTON: Shall we file this, Mr. Chairman?

The CHAIRMAN: Yes.

(Document filed.)

SHIPS SOLD BY THE UNITED STATES SHIPPING BOARD WITHIN
LAST FIVE MONTHS

Name of Vessel	Dead-weight tonnage	Built	Sold to	Price	Price per D.W. ton
				\$ cts.	\$ cts.
East Chicago.....	5,550	1920	Swayne & Hoyt, Inc., San Francisco	36,000 00	6 49
Continental Bridge.....	5,500	1919	Swayne & Hoyt, Inc., San Francisco	34,000 00	6 18
Holyoke Bridge.....	5,500	1920	Swayne & Hoyt, Inc., San Francisco	32,000 00	5 82
Bound Brook.....	5,500	1919	Swayne & Hoyt, Inc., San Francisco	32,000 00	5 82
Crathorne.....	3,500	1918	Frank J. Paterson, Cleveland, O....	25,000 00	7 14

MONTREAL, June 1, 1926.

Mr. HENRY: The third question is in regard to an inquiry from Frank S. Martin & Son in respect to steamers sold. It is a certificate of valuation. (Document filed).

"Copy.

Office of
FRANK S. MARTIN & Son
Ship and Engineer Surveyors
Consulting Engineers and Appraisers
Refrigeration.
25 Broadway, New York

NEW YORK, February 13, 1923.

CERTIFICATE OF VALUATION

I, the Undersigned, having been requested to value the following Steamships as in a sound condition in February, 1923, hereby certify that after having availed myself of the best possible information regarding these vessels, I value them as follows:—

Name	Value February, 1923.
Ss. Canadian Miner	\$ 75,000
Ss. Canadian Sealer	74,900
Ss. Canadian Trader	100,200
Ss. Canadian Adventurer	102,200
Ss. Canadian Sailor	100,700
Ss. Canadian Sower	102,100
Ss. Canadian Pathfinder	109,200
Ss. Canadian Engineer	110,300
Ss. Canadian Signaller	107,300
Ss. Canadian Gunner	107,400
Ss. Canadian Warrior	107,800
Ss. Canadian Beaver	107,300
Ss. Canadian Farmer	118,900
Ss. Canadian Observer	119,400
Ss. Canadian Rover	117,600
Ss. Canadian Coaster	118,100
Ss. Canadian Harvester	120,000
Ss. Canadian Logger	115,100
Ss. Canadian Aviator	165,200
Ss. Canadian Raider	165,300
Ss. Canadian Settler	157,300
Ss. Canadian Rancher	155,500
Ss. Canadian Trapper	161,700

Ss. Canadian Hunter	\$160,600
Ss. Thomas J. Drummond	70,000
Ss. Sheba	74,800
Ss. J. A. McKee	70,000

FRANK S. MARTIN & Son,
(Sgd.) FRANCIS A. MARTIN,
Appraisers.

FA M/Z
AB "

Mr. HENRY: The next is the file of correspondence.

Sir HENRY THORNTON: That we are going over with Mr. Boys privately.

Mr. HENRY: General Clark asked for a statement showing improvements in the operating statement as a result of services discontinued and services re-arranged in 1925 as compared with 1924, which would indicate on those routes whether abandoned or re-arranged, what the net results were in 1924 as compared with 1925.

Mr. TEAKLE: I have that statement. It is as follows:—

"CANADIAN GOVERNMENT MERCHANT MARINE, LIMITED

MEMORANDUM showing improvement as a result of services discontinued and services re-arranged in 1925 as compared with 1924.

Improvement services discontinued	\$ 14,871 47
Improvement re-arrangement of services	207,587 62

\$ 222,459 09 "

Mr. BOYS: Do I understand that all these statements which have been presented, will be printed in the record?

The CHAIRMAN: Yes.

Mr. BOYS: If they were not to be, it would seem to me very interesting that a reference should be made to them. However, if they are to be printed, that is not necessary.

The CHAIRMAN: They are going to be printed in the record.

Sir HENRY THORNTON: Have we answered all the questions relating to the Merchant Marine?

Mr. HENRY: With the exception of the correspondence.

Mr. BOYS: I think we may say that the information disclosed would indicate that the prices obtained on the part of Canada, were very much better than the prices obtained on the part of the United States.

The CHAIRMAN: It would appear so.

Sir HENRY THORNTON: That would seem to be a safe statement.

The CHAIRMAN: \$10 a ton received by the Canadian company, as compared with \$2.09.

Mr. HEAPS: \$10 is the lowest price shown by the reports of the Merchant Marine. It went considerably higher than that.

The CHAIRMAN: Was not that the average?

Mr. HEAPS: No, \$10 was the lowest.

Mr. TEAKLE: It ran up as high as \$30 odd.

Sir HENRY THORNTON: The maximum was about \$30.

The CHAIRMAN: Before we adjourn, I may say I have a request from Mr. Church, he says, "I would like to have the privilege of bringing one or two railway matters up before your Committee. If you can give me five or ten minutes some morning before the proceeding close."

Mr. POWER: Send for him now.

Mr. JELLIFF: We should give him a chance.

The CHAIRMAN: Mr. Church complained in the House that he could not get information.

Mr. HEAPS: He has never been here. I move that he be notified of the meeting to-morrow, and that he be given an opportunity.

Mr. JELLIFF: Or any other time he wishes to come.

The CHAIRMAN: After to-morrow might be too late. It is moved then that Mr. Church be asked to appear before the Committee to-morrow morning.

Mr. JELLIFF: What portion of the report shall we take up to-morrow?

The CHAIRMAN: I think we can continue with the estimates, and, if you are ready, make a recommendation to the House that the estimates are approved for both the Railways and the Merchant Marine.

Mr. POWER: My idea in asking Mr. Teakle to be here this morning was that we pass that recommendation now. Why not pass the estimate of the Merchant Marine now, and then Mr. Teakle will not have to come back.

Mr. JELLIFF: I will move that.

The CHAIRMAN: Mr. Jelliff moves, seconded by Mr. Bell (St. Antoine), that the estimate for the Canadian Merchant Marine, less the amount already recommended to the House, be approved and recommended to Parliament. We will have the motion properly drawn up by the Clerk of the Committee. All in favour?

Carried.

Mr. HARRIS: What will be the order of business to-morrow?

Mr. HEAPS: I think we should start with that \$14,000,000 capital expenditure that Sir Henry Drayton was anxious to know the details of.

The CHAIRMAN: Unless you start with Mr. Church. Whatever the Committee desire, they can decide that to-morrow morning.

It is moved that the Committee do now adjourn until 11 o'clock to-morrow morning.

The Committee adjourned until June 11, 1926, at 11.00 o'clock a.m.



SESSION 1926
HOUSE OF COMMONS

SELECT STANDING COMMITTEE
ON
RAILWAYS AND SHIPPING

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 10—JUNE 11, 1926

WITNESSES:

Sir Henry Thornton, President, C.N.R.

Gerard Ruel, K.C., Vice-President.

R. H. Fraser, Right of Way Agent.

OTTAWA
F. A. ACLAND
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
1926

ORDER OF REFERENCE

HOUSE OF COMMONS,

WEDNESDAY, May 19, 1926.

Resolved.—That Rule 10 of the House of Commons relating to the appointment of the Select Standing Committees of the House be amended by adding to the Select Standing Committees of the House for the present session a Select Standing Committee on Railways and Shipping owned, operated and controlled by the Government, to which will be referred the estimates of the Canadian National Railways and the Canadian Merchant Marine for the present session, for consideration and for report to the House, provided, however, that nothing in this resolution shall be construed to curtail in any way the full right of discussion in Committee of Supply; and that the said Committee consist of Messrs. Bell (St. Antoine), Boys, Campbell, Clark, Drayton, Dunning, Euler, Fiset, Harris, Heaps, Jelliff, Jones, Johnston, Power and Robichaud.

Attest.

ARTHUR BEAUCHESNE,
Clerk of the House.

REPORTS

HOUSE OF COMMONS,

WEDNESDAY, May 26, 1926.

First Report: Mr. Euler, from the Select Standing Committee on Railways and Shipping owned, operated and controlled by the Government, presented the First Report of the said Committee, which is as follows:—

Your Committee recommends that its minutes of proceedings and evidence be printed from day to day for the use of the members of the Committee and of the House and that Rule 74 be suspended in reference thereto.

Second Report: Mr. Euler, from the Select Standing Committee on Railways and Shipping owned, operated and controlled by the Government, presented the Second Report of the said Committee, which is as follows:—

Your Committee recommends that it be granted leave to sit while the House is in session.

Concurrence: On motion of Mr. Euler, the First and Second Reports of the Select Standing Committee on Railways and Shipping owned, operated and controlled by the Government, were concurred in.

FRIDAY, May 28, 1926.

Third Report: Mr. Euler, from the Select Standing Committee on Railways and Shipping owned, operated and controlled by the Government, presented the Third Report of the said Committee, which is as follows:—

The attention of your Committee having been drawn to the omission of the interim supply voted by Parliament during the present Session, of any part of Items 372 and 373, of the Estimates 1926-27 respecting loans to the Canadian National Railway and the Canadian Government Merchant Marine, Limited;

Your Committee therefore recommends that Parliament grant as interim supply the sum of \$10,000,000 of the said Item 372 and the sum of \$200,000 of the said Item 373.

MINUTES OF PROCEEDINGS

HOUSE OF COMMONS,

FRIDAY, June 11, 1926.

The meeting came to order at 11 a.m., Mr. Euler, the chairman, presiding.

Members present:—Messrs. Bell, Boys, Campbell, Clark, Drayton, Dunning, Euler, Fiset, Harris, Heaps, Jelliff, Johnston, Power.

Sir Henry Thornton, president, and other officials of the C.N.R. were in attendance.

The subject of the sale of certain C.N.R. property in Toronto (Woodbine Ave.) was again taken under consideration and the evidence of Bert Grant, Toronto, and Messrs. Warren and Palmer, C.N.R. officials of Toronto, was taken.

Sir Henry Thornton stated that he had received word from Mr. McDougald who had been summoned to attend that it was impossible for him to be present at this meeting.

Subsequently, the chairman read and filed a telegram from Mr. McDougald, a director of the C.N.R., just received, addressed to Sir Henry Thornton, stating his position in regard to the matter of the sale of the Woodbine Ave. property and asking to be allowed to appear before the committee at a later date and make a full statement thereon.

After discussion, Mr. Heaps moved, seconded by Mr. Jelliff, that Messrs. McDougald, McLachlin and Walker of Toronto be advised that, if they so desire, they could appear before the committee and make statements. Carried.

Mr. Harris gave notice that at the next meeting he would require information as to the sale of certain property in Essex County, Ontario.

The meeting then adjourned till Tuesday, June 15, 1926.

A. A. FRASER,

Clerk of Committee.

MINUTES OF EVIDENCE

COMMITTEE ROOM 425,
HOUSE OF COMMONS,
FRIDAY, June 11, 1926.

The Select Standing Committee on National Railways and Shipping met at 11.00 A.M., the Chairman, Mr. Euler, presiding.

The CHAIRMAN: Will the committee please come to order? We have a quorum. We will proceed with the unfinished business of yesterday. Yesterday Mr. Harris brought up the matter of the sale of certain property in the city of Toronto, and the committee requested Mr. Warren, Mr. McDougald and Mr. Grant to be present. Mr. McDougald is not able to be here; Mr. Warren is here, Mr. Grant, I understand is here, and Mr. Palmer. Now, Mr. Harris, how do you wish to proceed?

Mr. HARRIS: Mr. Chairman, I would like to take up the first feature of this first, and the first feature has to do with the correspondence between Mr. Palmer, the Right of Way agent, myself, and the City of Toronto, with respect to the acquirement of this piece of property by the Parks Department of the City of Toronto, for a playground to accommodate the children living on some six or eight branch streets, which back into this property. In that connection I asked Mr. Henry to advise his Toronto office to send down file B-10707, which has to do with this. I think perhaps Mr. Palmer has that file with him. I would like to ask the Railway Company, through its proper officer, as to what disposition was made of a specific request dated about November 23, 1923. At that time, sir, I wrote to Mr. Palmer as follows:

With regard to the land owned by the Canadian National Railway, northerly of the main line tracks—
describing it, and so on—

please note that I have representations made to me from the Parks Department of the City of Toronto asking if it is at all possible for the Parks Department to buy this particular parcel of property, or any reasonable portion of it. They appreciate the necessity of a playground of some description in this district, and the policy of the Department is to secure the property, and then improve, rather than go to the considerable expense on property of which they have not the ownership. Please advise the possibility of the railway selling this parcel of land.

I would like the proper officer to tell me what final disposition was made of this request, before the land was finally sold.

Sir HENRY THORNTON: Mr. Chairman, I should want to say this: that in this, as in other cases, recommendations come to the executives with respect to the sales of certain lands, and after negotiation, if the price seems a satisfactory one, and the property is one which the railway cannot use, or may not require for future purposes, the sale is usually consummated. The particular thing, and perhaps the only thing that we are concerned with at headquarters is to see to it, first, that the property is not required for future railway purposes, and secondly, that the price is one which justifies the sale. The details of negotiations of that sort are necessarily handled by local officers. We have here Mr. Warren who is our General Manager at Toronto, and Mr. Palmer who, under his direction, handled the details of this, and, therefore, if it is agreeable to the committee, I will let Mr. Warren answer the questions which may be put, inasmuch as he knows more about the details than anybody. Mr. Warren, will you be good enough to answer the questions?

Mr. WARREN: Yes, Sir Henry (Thornton). That is going back to the City Council application of 1923, as I understand it, and it is back from what is on the papers.

On December 3rd, 1923, Mr. Joseph Harris was written to by my Right of Way agent as follows:—

Replying to your favour of November 23rd, relative to land owned by the Company, northerly of the main line tracks and easterly of Woodbine avenue, in the City of Toronto.

If you can get the city to make an offer to purchase this property at a price in line with prevailing market values in that vicinity, we will submit it to the management for consideration. If the sale should go through, the Company would want to protect itself for any future claims or land damages on the land due to change in grade at the crossings. They would also want a proviso in the deed that no building would be erected within one hundred feet of the east side of Woodbine avenue.

Mr. HARRIS: What date was that?

Mr. WARREN: December 3rd, 1923.

Mr. HARRIS: Then on April 1st, 1924, the Parks Department of the City of Toronto was still interested in this property. They wrote as follows:—

While we have the acquirement of this property in mind, it is not possible for us to take any definite steps to this end this year, as we have no appropriation in the estimates for this current year,

indicating, of course, that if the Railway Company were interested in the sale, an arrangement could be made in the following year. That is the point I am coming to, sir; that the following year, the year 1925, was the year when the sale was consummated to the Trust and Guarantee Company, through its Mr. John A. Kent. I would like to ask if you made any definite effort to sell this property to the City of Toronto.

Mr. WARREN: No sir, we did not.

Mr. HARRIS: Do your records there disclose that a petition under date of May 30th, 1925, signed by 138 residents of the district was circulated, subsequently, and shown to your Mr. Palmer, giving you some idea of the public opinion which was behind this undertaking of the City of Toronto to buy this particular parcel of ground?

Mr. WARREN: No, Mr. Harris, there is no record of it, and I have no personal knowledge, because I was not in Toronto at that time.

Mr. POWER: Just as a matter of information, to whom was this petition addressed?

Mr. HARRIS: It was addressed to Joseph Harris, Parliament Building, Ottawa.

Sir HENRY THORNTON: Might we ask if you did anything with that petition, Mr. Harris?

Mr. HARRIS: Yes sir, I did considerable. I interviewed Mr. Palmer on three occasions, pointing out to him the fact that the residents were anxious to have this for a playground, and also wrote to him if the Company would not sell it, arrangements could probably be made on account of the excessive tax rate which you had to pay—taxes of some \$1.023 per year—to have this declared Park property, and thus reduce your taxes, and turn the property over to the City of Toronto under a nominal lease, and relieve you of taxation, at the same time supplying this need. I think Mr. Palmer will bear me out in this connection. Mr. Palmer is here, and am I in order in asking him a few questions about it?

Sir HENRY THORNTON: Yes, by all means.

Mr. PALMER: What date was that petition?

Mr. HARRIS: May 30, 1923.

Mr. PALMER: That was about the same time as this correspondence.

Mr. HARRIS: Perhaps I can refresh your memory, Mr. Palmer. Do you recall an interview where it was asked that a fence around this property—

Mr. POWER: Mr. Chairman, I do not want to interfere with Mr. Harris at all, but there was some suggestion made yesterday that a certain piece of property had been sold, and that there had been improper influence on the part of Mr. McDougald. Now, I do not think this committee would have anything to do with negotiations between Mr. Harris and his constituents, and Mr. Harris and the City of Toronto. Apparently, from what has been read here, Mr. Harris endeavoured to induce the City of Toronto to buy a certain piece of property, and the City of Toronto decided in a letter that they could not act, because they had no appropriation for it. Then Mr. Harris went to the Railway Company and made some suggestion about turning this into a playground and giving a lease to the city. From what we know up to the present time, the city took no action on that either. The deal, if any, should have been made between the city and the Canadian National Railways, and not through Mr. Harris and the city. I do not know that we have anything to do with that.

Mr. HARRIS: The point I want to bring out, Mr. Chairman that there is no evidence, so far as I can ascertain, of a definite negotiation, or a definite effort on the part of the Canadian National Railway, to subsequently try and have the City of Toronto buy this property from them.

The CHAIRMAN: You think it was the duty of the railway to go to the city to make a sale?

Mr. HARRIS: They were making the sale.

The CHAIRMAN: Is there any suggestion that the city made an effort to buy the property at a price, we will say, higher than it was subsequently sold for?

Mr. HARRIS: Outside of that little advertisement that was in the paper, I am trying to find out if there was any definite effort made by the Railway Company to induce them to consider it.

The CHAIRMAN: I rather think, Mr. Harris, without desiring to interrupt you, that what the committee wanted to get at was the charge made yesterday—

Mr. HARRIS: I am coming to that. I want a definite answer as to what was done in regard to advising as to the possibility of the Railway Company selling this parcel of ground, "Please advise the possibility of the Railway selling this parcel of ground." That was in a letter addressed to Mr. Palmer, the Right of Way agent.

Sir HENRY THORNTON: I do not know whether any answer was made to that or not, but I would submit—

The CHAIRMAN: There is an answer, Sir Henry (Thornton).

Sir HENRY THORNTON: I would like to submit that while the Railway Company knew that possibly the City of Toronto might like to have this property for the purpose named, the City of Toronto admitted that it had no funds with which to proceed, and the whole proposition, in so far as the City of Toronto was concerned, as a purchaser, was in such a nebulous state that certainly we would not have felt justified, and I certainly would not—

Mr. HARRIS: I think—

Sir HENRY THORNTON: Just let me finish. —have criticized any officer of the Company if he had let it go at that, seeing that the property was advertised for sale in three or four Toronto newspapers. If the City had any great interest in the matter, it certainly would have put up something definite, so I cannot, in any sense, admit that the officers of the Company were guilty of any acts which justified criticism by their failure to run after the City of Toronto in the hopes of inducing them to buy this property.

Mr. HARRIS: I am not asking for judgment as yet. There is another letter on the file which may be of interest. Answering the letter which Mr. Warren has just read, a letter was later written, dated April 14, 1924, as follows:

Referring to your letter of March 24th, please note I have advice from the Commissioner of Parks of the City of Toronto as follows: 'While we still have the acquirement of this property in mind, it will not be possible at present for us to take any definite steps, as no appropriation has been provided for in the estimates.' There is a definite undertaking of the City of Toronto that they still have the acquisition of this property in mind.

Sir HENRY THORNTON: I should say it was very indefinite.

Mr. HARRIS: I want to know if the Railway Company made any definite effort, when they made up their minds to sell this property, to try to sell it to the City of Toronto.

The CHAIRMAN: Have you an answer to that, Mr. Warren or Mr. Palmer?

Mr. WARREN: Mr. Palmer had better answer, because I was not the General Manager at that time.

Mr. PALMER: No, no definite effort.

The CHAIRMAN: That answers the questions, and concludes that part of it.

Mr. HARRIS: Yes, Mr. Chairman, that concludes that portion. Incidentally, there was no definite reply to my request to advise as to the possibility of the Railway Company selling this parcel, and inasmuch as the advertisement was not noticed, nobody knew the property was sold.

Sir HENRY THORNTON: All you can do is to put advertisements in the newspapers, and if people do not read the valuable publications of Toronto, it is not our fault.

Mr. HARRIS: Being on record that the City of Toronto was interested in the acquirement of this property, would it not have been good business, in your judgment, to have gotten in touch with the City of Toronto—

Mr. POWER: I don't like that insinuation to go down, that the City of Toronto was interested. On the contrary, the City of Toronto said they were not interested, as they had no appropriation.

The CHAIRMAN: I do not think this discussion is of any great value.

Mr. HARRIS: I take issue with that, Mr. Chairman. It says here "still has the acquisition of this property in mind." That is definite.

Mr. POWER: I don't think any government, municipal or otherwise, would not have something in mind when they wanted to please their constituents.

Mr. HARRIS: I want to show that the City of Toronto was definitely interested in that property.

The CHAIRMAN: And the railroad made no further effort, other than through the advertisement, to interest them?

Mr. HARRIS: I specifically asked the Railway Company to advise me any time they made up their mind to sell this property, and no advice was received. I was acting in that case on behalf of this petition signed by these residents in the district, which petition Mr. Palmer had in his office for some days, and had an opportunity of reviewing. He knew public opinion there, and if he knows the City of Toronto at all, he knows that the deal could have been consummated with the City of Toronto at a figure somewhat close to the assessed value of \$10,000 per acre.

That is all with regard to that, Mr. Chairman. The other point I want to develop now is with regard to the transaction which Mr. Grant was interested in. If it is the pleasure of the committee, Mr. Grant can now be heard.

The CHAIRMAN: Yes, we will hear Mr. Grant.

Mr. HARRIS: I will call Mr. Grant.

Mr. POWER: Will Mr. Grant tell us who he is?

Sir HENRY DRAYTON: Give your name and address?

Mr. GRANT: I am Bert Grant of Toronto, builder.

Mr. HARRIS: I will help you out on that, if you will answer my questions.

By Mr. Harris (Questioning Mr. Grant):

Q. Do you live anywhere near this property, Mr. Grant?—A. Yes.

Q. Where does your family reside with relation to this property?—A. Practically all around it.

Q. You have been a builder for how many years?—A. Twelve years.

Q. How many houses did you build last year in the vicinity of this property?—A. I built 25.

Q. What are these houses selling for?—A. On an average of \$4,500 apiece.

Q. In your last year's operations, you built in the neighbourhood of \$112,500 worth of houses?—A. Whatever that number amounts to.

Q. When did you first get interested in this property?—A. Last November, 1925.

Q. How did you happen to become interested in it?—A. Well, building around there, for so many years knowing the property, and knowing the railway had it, I thought it was an ideal spot for houses.

Q. How did you proceed to find out how you could purchase the property?—A. I went to Mr. Shaw first, on Bay st., and he recommended me to Mr. Walker, who had put a deal through with the railway company, of the Ford plant, and he thought he was the best man he could recommend to handle this.

Q. Who are your solicitors?—A. Gregory & Gregory of Toronto.

Q. Did you have Gregory & Gregory work on your behalf?—A. Yes.

Q. Did you have many interviews with them?—A. Yes, quite a number.

Q. What do you expect your costs are going to be for your lawyers' fees and expenses in trying to get this deal put through? How many interviews did you have?

Mr. POWER: Why not let Mr. Grant tell his story as far as he knows it. I do not know that we are here to criticise the fees of the legal fraternity in Toronto.

The CHAIRMAN: I would suggest to the Committee that Mr. Grant tell the story from the outset, and then if you desire to question, Mr. Harris, you can do so.

Mr. HEAPS: If Mr. Grant has spent a considerable amount of money in legal fees trying to obtain this property, I do not think it is any harm to disclose that.

The CHAIRMAN: He could give that in his story.

Mr. HARRIS: I am just assisting him to get his story before the Committee as briefly as possible. Mr. Grant is a layman, a builder, and not accustomed to appearing before Parliamentary Committees.

By Mr. Harris:

Q. What did your solicitor do for you with the idea of trying to get an offer in for this property of the railway company?—A. He drafted the offer first, and from there he kept in with the negotiations as required by Mr. Palmer of the Company.

Q. He drafted an offer to Mr. Palmer of the railway company?—A. Yes.

Q. And at whose suggestion was the offer drafted?—A. It was my suggestion and the solicitor's. But it was Mr. Palmer's suggestion that I put an offer in after the first interview.

Q. What was the idea of putting in this first offer; did you think you could get the deal under way, if an offer were put in?—A. When I got as far as Mr.

Walker, he said we would go down and see Mr. Palmer, which we did. Mr Palmer advised us to put an offer in for the property, which we did.

Q. That was to get the deal started?—A. Yes.

Q. And then did you have an acknowledgement from Mr. Palmer of this offer?—A. Yes.

By the Chairman:

Q. What was the amount of your first offer, Mr. Grant?—A. \$30,000, sir.

By Mr. Harris:

Q. That was merely put in at Mr. Palmer's suggestion, in order to get something started, was that the idea?—A. Yes.

Q. Was that your final offer that you had in mind, or just a starter?—

A. Well, I was out to get the best price I could, of course.

Sir EUGENE Fiset: It was a feeler.

By Mr. Harris:

Q. What was the date of that?—A. December 4th, 1925, was the date of the offer I put in.

Q. Subsequently to that, what happened?—A. Mr. Palmer wrote back a letter saying this will acknowledge receipt of your letter of even date, as to lot 5, Concession 1, east of Woodbine Avenue, enclosing an offer from Bert Grant to Purchase a portion of this lot lying immediately North of our right-of-way at that point. This matter will receive our attention, and we will communicate with you as soon as we have anything definite to advise.

Q. Subsequently they advised you that they did not think that this was enough money?—A. Yes.

Q. Then you made another bona fide offer of \$36,000?—A. Yes.

By Sir Henry Drayton:

Q. What is the date of your offer of \$36,000?—A. March 3rd.

By the Chairman:

Q. Was that by way of response to the advertisement for tenders?—A. Yes.

By Mr. Dunning:

Q. You say your second offer was in response to the advertisements for tenders?—A. Yes, sir.

By Mr. Power:

Q. Were you advised that this property was to be advertised for sale?—

A. I saw it in the press.

By Sir Eugene Fiset:

Q. After your first offer?—A. After the first offer, yes sir.

By Mr. Harris:

Q. And you made this offer of \$36,000, and then you subsequently raised that to \$36,300?—A. Yes.

Q. The first offer was without interest, and the next with interest and taxes?—A. Yes.

By the Chairman:

Q. Do you mean you amended your tender, before the tenders had been opened?

Mr. HEAPS: No, the first offer was not a tender.

By the Chairman:

Q. I am referring to the second offer of \$36,000. That was in reply to the advertisement, you put in a tender for \$36,000. Then you said that you raised that by \$300. Was that increased tender put in before the former tenders were opened?—A. No, I do not think so, but my \$36,000 was the best offer that was in.

Q. At that time?—A. Yes.

Q. I am referring to the increase of \$300 that you put in. Was that before or after the tender was opened?

By Sir Henry Drayton:

Q. How did you come to do that?—A. I was advised by Mr. Palmer, that the price was not high enough; that is, the \$36,000.

Q. That is the \$36,000?—A. Yes. And I then made it \$36,300.

Q. That must have been after the tender was opened, or else he would not have known what your offer was?—A. I suppose so.

By Hon. Mr. Dunning:

Q. How long after was this, Mr. Grant? Give us the date when you amended your offer by \$300.

Mr. HARRIS: The first offer was March 3, 1926, subsequently amended on April 17, 1926.

Sir HENRY DRAYTON: How does the amendment read, Mr. Harris, the final offer?

Mr. HARRIS: The final offer was \$36,300 with interest and with taxes.

Sir HENRY DRAYTON: Interest from when?

Hon. Mr. DUNNING: Perhaps we could have copies of these documents, and let us see what we have got.

Sir HENRY THORNTON: Put the offer in.

Mr. HARRIS: These can be filed.

By Sir Eugene Fiset:

Q. Before you leave that point: was the first offer of \$30,000 made before the property was advertised for sale?—A. Yes.

Q. And it was only after your first offer had been received by the railway company that the property was advertised for sale in the regular way?—A. Yes.

Q. And then you made your second offer of \$36,000?—A. Yes.

Sir HENRY DRAYTON: And then Mr. Palmer sees him and says it is not enough, and he makes it \$36,000 with interest.

Mr. JELLIFF: How much would that offer be with the taxes and all?

Hon. Mr. DUNNING: The \$300 was to cover interest and taxes.

Mr. HARRIS: No, it was in addition.

By the Chairman:

Q. What was the total amount of your offer in cash, Mr. Grant?—A. \$36,300.

Q. Then you would add to that the amount of interest and taxes that had accrued?—A. The interest was to start from the time of closing, ten or twenty days from the date of sale.

Mr. HEAPS: What about the taxes for the current year? And when were the taxes to commence?

Mr. WARREN: Just over a thousand dollars. I do not know how the taxes would be struck, they would be sub-divided.

By Mr. Heaps:

Q. The offer came in some time during April. There would be only four or five months taxes due at that time. The question whether the adjustments were to be made from the date of sale?—A. They were.

Mr. HEAPS: Then there would be nothing to be added to the \$36,300.

By Mr. Jelliff:

Q. Were there any arrears of taxes?—A. I cannot say that, but the taxes I agreed to pay was from the time the sale was closed.

By Mr. Power:

Q. Did you want to buy this on terms?—A. Yes.

Q. And pay interest up to the time of the final payment, and pay taxes on the property from the moment you took possession?—A. Yes.

By Mr. Harris:

Q. Did you understand that this offer of \$36,000 was the highest offer at that time, and that this was the offer sent to Montreal for approval?—A. Yes.

Q. The second offer; you understand that was the highest?—A. Yes.

Q. And you were subsequently told that it was not the highest bid?—A. I was told that if I made it \$36,300 the sale would go through.

By Mr. Power:

Q. Who told you that?—A. Mr. Walker.

Q. Is Mr. Walker connected with the railway company?—A. He was my agent, buying it.

Q. What is he?—A. A real estate agent.

By Mr. Harris:

Q. So you subsequently made it \$36,300?—A. Yes.

Q. And what happened to that offer? What was its date?—A. April 17th.

Q. That was after the tenders were opened in March?—A. Yes. As I understand, I made that offer of \$36,300, and I understood that it would be accepted. Mr. Palmer took the offer in to Mr. Warren, expecting that it would be O.K'd. Mr. Warren held it up for Mr. MacDougald's approval.

By Mr. Johnston:

Q. How do you know that?—A. From my agent, Mr. Walker.

By Sir Henry Thornton:

Q. That is what your agent told you?—A. Yes.

By Mr. Power:

Q. Mr. Walker was working on commission for you, I suppose?—A. Yes.

Q. You would pay him a commission on the purchase?—A. Yes.

Sir HENRY THORNTON: What about that, Mr. Warren?

Mr. WARREN: The agreement was that we had to pay Walker his commission for the sale. We have Walker's letter here to that effect.

WITNESS: I do not know. Is that as to the last offer?

Mr. WARREN: Yes, as to the last. The offer is submitted subject to payment of commission by us.

The CHAIRMAN: How much would that commission amount to?

Mr. PALMER: \$1,220.

Mr. HARRIS: That is quite usual in selling property, that the vendor pays the commission.

Mr. HEAPS: But Mr. Grant has been saying that he was to pay the commission.

WITNESS: There was an understanding between Walker and I and we understood that Mr. Palmer knew that it was net to the railway company.

Mr. PALMER: We have Walker's letter here, confirming all the conversations, and saying that that was part of the deal, that we had to pay for selling the property three and a half per cent. In other words, giving Mr. Grant, a discount of that amount.

WITNESS: That was in so far as the first offer.

By the Chairman:

Q. Do you say, Mr. Grant, that that applied only to your first offer of \$36,000?—A. Of \$30,000.

Q. And did it not apply to the second offer?

Mr. PALMER: Here is what it says in the letter.

By the Chairman:

Q. Let us get this clear. Did that arrangement apply all along the line for the three offers, the \$30,000, the \$36,000, and the \$36,300?—A. No, sir. It was at the latter end of the offers that it was net to the railway.

Q. Which one?—A. It would be the last one, but whether it was the centre one or not, I cannot just recollect.

By Mr. Heaps:

Q. Are you sure, Mr. Grant, that Mr. Walker made that offer to the company?—A. There is the offer. I do not know just that, sir.

Mr. JELLIFF: It seems to me, Mr. Chairman, that we should have this letter on file.

Mr. HARRIS: Mr. Chairman, I would suggest that we have the original offer, that is, the last offer of April 17th. The Hon. the Minister has it in hand there, and he is looking now to see if there is any record of that three and a half per cent. That is the offer signed by him to the railway company, which is the one that would take effect, if the deal were consummated.

The CHAIRMAN: Do you wish to have a record of all the offers?

Mr. HARRIS: No.

Mr. HEAPS: If you can find anything, Mr. Chairman, in the communication or offer which is now in the hands of the Minister, it would be sufficient.

The CHAIRMAN: The letter of the agent, I think, is there.

Mr. HEAPS: That is dated March 3rd.

Sir HENRY DRAYTON: There is the letter of the agent, but it only refers to the offer of the \$36,000. That agrees with what Mr. Grant says.

Hon. Mr. DUNNING: I do not think that in either one of these offers there is any mention of a commission to an agent, either the one of March 3rd, or April 17th.

Sir HENRY DRAYTON: It was reserved in connection with the offer of \$36,000, by the agent's letter. There is no such letter making a similar reservation in connection with the offer of \$36,300 and the witness's idea is that while that was the case in connection with the \$36,000 offer, his understanding was that the offer of \$36,000 was to be net to the company.

The CHAIRMAN: Is that correct, Mr. Warren?

Mr. WARREN: No, because Mr. Grant did not bring us this offer.

Mr. POWER: Why not read that letter.

The CHAIRMAN: Just a moment. I asked Mr. Warren a question, let him answer that first.

MR. WARREN: No sir, because this has never been taken out of the real estate agent's hands. We were responsible for that agent's commission, under the law. This man Walker presented the last offer of Mr. Grant's, and he was not waiving anything.

THE CHAIRMAN: You thought if you sold for \$36,300, that you would have to pay the commission?

MR. WARREN: Certainly.

MR. POWER: How about reading that letter?

THE CHAIRMAN: Who has the letter?

SIR HENRY DRAYTON: I have it here.

We are handing you herewith offer from Mr. Bert Grant for your company's property on the East side of Woodbine Avenue, at the price of \$36,000.

This is the offer of March 3.

Mr. Grant is prepared to furnish and deposit a cheque of \$1,500 whenever you wish it. It is understood that this offer is submitted subject to the payment of the usual commission to us of three and a half per cent of the sale price, if and when the sale is duly completed.

THE CHAIRMAN: What about the next offer?

SIR HENRY DRAYTON: I was speaking to Mr. Palmer about that, and he says there is no letter accompanying that.

HON. MR. DUNNING: So far as they relate to the agent's commission, they make no reference to it at all. I can find nothing in either of them referring to the agent's commission.

MR. HARRIS: That is a bona fide tender from Grant to the railway company?

HON. MR. DUNNING: Are you asking me that? It is a very complicated thing, and I would not care to express an opinion. This strikes me as peculiar, for instance:

Provided that if the purchaser shall be unable to obtain the consent of the City of Toronto and of the Ontario Municipal and Railway Board, to the said proposed plan, this offer shall be void, and the deposit returned to the purchaser without interest.

I do not know anything about that, but it seems like a conditional offer. That is true of both the documents. That is the only thing that strikes me.

THE CHAIRMAN: I would say that that is the customary provision, that plans have to be approved by the Commission.

MR. POWER: How does Mr. MacDougald come into that?

MR. HARRIS: We will bring Mr. MacDougald in now, to satisfy the hon. member; I know he is anxious to get along.

THE CHAIRMAN: Would you say that the fact that you considered you had to pay the commission on the offer of \$36,300 was a factor in your declining the offer?

MR. WARREN: That is one of the factors, but it must be understood that this man entered into an agreement and one of the particulars of the agreement was that if the sale was made, he would be entitled to a commission of three and a half per cent. That was never rescinded. He made the last offer, and not Mr. Grant. We take the stand, in accordance with that, if a man starts out on a commission basis, and we complete the deal with him, he must be paid. We have to charge that up to the property. Mr. Grant, as I understand it, did not bring in the last offer to Mr. Palmer, it was still the real estate man who brought it in.

THE CHAIRMAN: And he in his first offer referred to the commission.

By Hon. Mr. Dunning:

Q. Mr. Grant, did you understand in connection with the \$36,000 offer, that the railway company was to pay Walker's commission?—A. I am not just clear on that, sir, I do not know whether it was that one, or the last too.

Q. The letter was read saying that it applied to the \$36,000 offer. You knew that?—A. That is so.

Q. Did you think that arrangement was changed when you increased your offer to \$36,300?—A. Yes, that was the arrangement I made with Walker, that the offer I made was net to the railway.

Q. That is the \$36,300 offer?—A. Yes.

By the Chairman:

Q. Have you a letter on that?—A. No, sir.

By Hon. Mr. Dunning:

Q. Were you going to pay Walker's commission on the second offer?—A. No, I could not say I was clear on that.

Q. Who was to pay it?—A. According to the letter here, of course, the railway company was going to pay it.

Q. That letter had to do with the previous offer, Mr. Grant. The point is, who was going to pay Walker's commission on the third offer? Walker was not working for nothing?—A. I was going to pay him on the third offer. On the \$36,300. That was the third offer.

Q. Have you a letter, or any documentary evidence confirming that?

Mr. HARRIS: Nothing, only the agreement. There is nothing in the agreement about a commission, and this agreement is signed by Grant.

WITNESS: How this came about was, there was other chaps bidding for the land, which also did not include the agent's commission, and I said to Walker, "well, then, I will make this net to the railway company, of \$36,300."

The CHAIRMAN: There is apparently a difference of opinion there. You apparently thought that the commission was going to be paid by yourself. You say that, but the railway company apparently believed that it would follow the same procedure as before, on your second offer, and they would have to pay the commission. There may be a misunderstanding, but it seems strange that there is nothing in the record at all.

Sir HENRY THORNTON: May I ask Mr. Warren this question? Did Mr. Walker say to us, or give us to understand that he would waive his commission, as far as we were concerned, and that he was going to collect it from Mr. Grant?

Mr. PALMER: No, he did not.

Mr. HEAPS: There was nothing either verbal or in writing to that effect.

Mr. PALMER: No.

By Hon. Mr. Dunning:

Q. Your offer of \$36,300 was in response to the call for tenders, Mr. Grant?—A. Yes.

Q. When you made that offer, you understood the call for tenders was for the price net to the railway company?—A. I could not say just definitely as to that.

Q. The call for tenders surely is clear that they were asking for tenders, and not subject to a commission?—A. Yes, but I raised my offer from thirty to thirty-six, and if I remember right, I expected the railway company to pay the usual agent's commission.

Q. When they call for tenders?

Mr. HARRIS: The vendors always pays the commission.

Hon. Mr. DUNNING: In response to an advertisement for tenders?

Sir HENRY DRAYTON: I find something here although there is not another letter. This is in March 8th, which is after the offer of \$36,300 as I understand it. This is a memorandum from the right-of-way agent.

Referring to this property, although we have had several inquiries as to this block of land, only two offers have been received. The higher of these two offers is received through the Realty Service Company, on behalf of Mr. Bert Grant. The amount offered is \$36,300 payable as follows: \$1,500 on the day of closing for his deposit if desired; \$4,800 on the day of closing; bringing the total cash payment to \$6,300 on the date of closing; giving back the first mortgage for the sum of \$30,000, payable \$1,000 half yearly, with remainder at five years from date of closing, together with interest payable half yearly from date of closing on the amount of principal remaining unpaid, at the rate of 6½ per cent per annum. There are a few minor changes. I think we should ask the purchaser to make in the terms of his offer, but these can be discussed after we decide whether we can recommend the sale of the property at the amount offered. If this offer is accepted, we will be required to pay the Realty Service Company a commission of 3½ per cent on \$36,300, equal to \$1,270.

That apparently was Mr. Warren's idea, and that was his report at that time.

The CHAIRMAN: That he had to pay a commission on the offer of \$36,300.

Mr. HARRIS: Then I would like to ask Mr. Grant another question.

By Mr. Harris:

Q. Subsequent to this offer of \$36,300, were you advised that the price was too low, and that if you wanted to have the property you would have to pay a much higher figure?—A. Yes.

Q. Have you a record of that?—A. (Reading):

And that we should receive a much larger price for this property.

Mr. POWER: Who wrote that?

The CHAIRMAN: Read that again?

By Hon. Mr. Dunning:

Q. Read the whole letter, Mr. Grant?—A. (Reads):

Mr. G. H. WALKER,
Adelaide Street, E.,
Toronto,

DEAR SIR,—Referring to your letter of March 3rd, with which you enclose offer from Bert Grant for property owned by this company on the east side of Woodbine avenue, in the city of Toronto. This offer was duly submitted to our executive, and I have been advised that it will not be accepted on the ground that the price offered is not sufficient, and that we should receive a much larger price for this property.

That is signed "H. H. Palmer."

Q. What is the date of the letter Mr. Grant?—A. April 8th.

Q. After your last offer?—A. Yes.

Mr. HARRIS: I would like Mr. Grant to go ahead and finish his statement with regard to the further dealing, trying to acquire this property; if he had an interview with Mr. McLaughlin, and whether he asked him to get in touch with Mr. McDougald in regard to this property.

The CHAIRMAN: Who is Mr. McLaughlin?

Mr. HARRIS: Another real estate agent, and a friend of Mr. McDougald's.

By the Chairman:

Q. Tell us that, Mr. Grant?—A. I was assured that my offer of \$36,300 would be accepted, until there was a word from Mr. Hungerford stating that he would have to leave it in the hands of the director for the Toronto division.

By Sir Henry Thornton:

Q. Who gave you that assurance?—A. Mr. Walker.

By the Chairman:

Q. That your offer would be accepted?—A. Yes.

Sir HENRY THORNTON: He did not get that from any officer of the company.

Mr. HARRIS: Yes, from an officer of the company later.

The CHAIRMAN: Show us that you got that assurance that your offer would be accepted if you submitted it again. Have you anything to show that?

Mr. HARRIS: He has not got it, but Mr. Hungerford deposed to that effect in the evidence given yesterday, Mr. Chairman.

Mr. POWER: To whom was that letter.

Mr. HARRIS: If I may be permitted, Mr. Hungerford suggested to Mr. Warren that he had better consult Mr. McDougald as to the appropriateness of the price, and Mr. McDougald thought there should be a little more money.

The CHAIRMAN: Mr. Harris, the point at issue here is, whether Mr. Grant was assured that if he submitted his offer of \$36,300 it would be accepted. That was your statement yesterday, I think. Do you say Mr. Hungerford verified that?

Mr. HARRIS: He suggested to Mr. Warren that he had better consult Mr. McDougald.

The CHAIRMAN: That is a different thing.

Mr. HARRIS: We have just Mr. Grant's evidence with regard to your question.

By the Chairman:

Q. Did you have that assurance from any officer of the company?—A. No, I got it from Mr. Walker.

By Hon. Mr. Dunning:

Q. And Mr. Walker was your agent?—A. Yes.

Q. Where did he get it?—A. I presume from Mr. Palmer.

The CHAIRMAN: Was that assurance given, Mr. Palmer.

Mr. PALMER: No, we said we would send it on to the management with our recommendation.

The CHAIRMAN: Did you say, definitely.

Mr. PALMER: That it was subject to approval by the management and by the executive.

The CHAIRMAN: Did you say definitely that you gave no assurance that if the offer were re-submitted it would be accepted?

Mr. PALMER: No, I did not.

The CHAIRMAN: You did not give such an assurance?

Mr. PALMER: No.

Mr. HARRIS: You recommended the offer.

Sir EUGENE FISKE: Did you say you recommended to the executive that the offer would be accepted?

Mr. PALMER: I recommended it to the management, and they passed it on for consideration.

The CHAIRMAN: Now, Mr. Harris?

By Mr. Harris:

Q. Mr. Grant, tell us the rest of the story, with regard to the relationship with Mr. McDougald in this transaction?—A. At the time I made the offer of \$36,300 I was advised by Mr. Palmer that he was expecting another offer. And I said to him, "Well, if that is so, can't I hold my offer back until the other one gets in?" He said, "No, you had better put the offer in now," which I did, of \$36,300. And Mr. McDougald, we understood, got interested, and Mr. Walker did not know Mr. McDougald, so he asked Mr. McLaughlin, who was a friend of Mr. McDougald's to work on this matter, and he went and seen Mr. McDougald, and this is one of the remarks he made.

By the Chairman:

Q. Who made?—A. Mr. McDougald, according to Mr. McLaughlin.

Mr. POWER: That may or may not be evidence.

The CHAIRMAN: I do not suppose it is.

Mr. HARRIS: We are expecting Mr. McDougald to be here this morning.

Sir HENRY THORNTON: He is in Albany.

Mr. POWER: Where does this come from?

Hon. Mr. DUNNING: What is it, a letter?

By Mr. Power:

Q. Is it a letter, or the record of a conversation that you are referring to?—A. This is a memorandum of what Mr. McLaughlin told me at the time of this conversation.

Q. A memorandum made by yourself?—A. Yes.

By the Chairman:

Q. You refer to a memorandum of a report of the conversation?—A. Yes. Mr. McLaughlin interviewed Mr. McDougald and Mr. McDougald told McLaughlin it was no use putting an offer in of \$37,000. By the way, I am a little ahead of my story. When McLaughlin seen Mr. McDougald, Mr. McDougald says that my offer was not high enough, and he asked him what he thought was a fair price, would \$37,600 interest him, because Grant would go that far, and Mr. McDougald says that it was no use putting an offer in of \$37,000. Mr. McDougald had to get a better offer by Tuesday of the following week or Grant's offer would have gone in. At one time, Mr. McLaughlin said, Mr. McDougald's purchaser would not go on. Later, McLaughlin saw McDougald and came back saying that McDougald had a better offer, which did not give me any chance at increasing my offer, because my offer had to be in before McDougald's offer was in.

By Mr. Power:

Q. When was this memorandum drawn up?—A. Just yesterday.

By the Chairman:

Q. Did Mr. McLaughlin intimate that you would go as high as \$37,000?—A. Yes.

Q. He intimated that to Mr. McDougald?—A. Yes.

Mr. POWER: I do not want to object to questions by the Chairman, or by anyone else, but this is hearsay upon hearsay.

The CHAIRMAN: I know it is.

Mr. HARRIS: Mr. McDougald was summoned for this morning, and he is not here.

Sir HENRY THORNTON: Mr. McDougald received a telegram summoning him to Albany, and he said he was sorry that he could not possibly be here.

The CHAIRMAN: I realize, gentlemen, that we are not lawyers like my friend Major Power, and probably this testimony is not in order, but the Committee is established to get at the facts.

Mr. POWER: I admit that, but he has no knowledge of the facts himself.

The CHAIRMAN: Is there an objection to his giving this evidence?

Mr. POWER: No.

Mr. HARRIS: His representations in regard to the agreement and the bid are quite in order.

The CHAIRMAN: Yes. Go on then.

Mr. HARRIS: Then, Mr. Chairman, it is unfortunate that Mr. McDougald is not here. I would like to ask again of Sir Henry Thornton if he is aware that Mr. McDougald is a director of the Trusts & Guarantee Company.

Sir HENRY THORNTON: Yes.

Mr. HARRIS: And also in the same connection, is he aware that Mr. Thomas Reid, of Messrs. Reid, Wood, Wright and MacMillan is also a director of the Trusts & Guarantee Company?

Sir HENRY THORNTON: No, I do not know that I ever heard of Mr. Reid until yesterday.

Mr. HARRIS: As a matter of fact he is. Sir Henry was good enough to tell us yesterday that this property was sold to Mr. John A. Kent. Do you know who Mr. John A. Kent is?

Sir HENRY THORNTON: I have not the slightest idea.

Mr. HARRIS: Is he a clerk in the office of Mr. Thomas Reid?

Sir HENRY THORNTON: I have no idea.

Mr. HARRIS: Does any one of the officers know about that?

Sir HENRY DRAYTON: Perhaps the right-of-way agent does?

Mr. PALMER: I do not know him.

Mr. HARRIS: You do not know Mr. John A. Kent, or Mr. Reid?

Mr. PALMER: No.

Sir HENRY DRAYTON: Do you know that Mr. Reid is a director of the Trusts & Guarantee Company?

Mr. PALMER: No.

Mr. HARRIS: Mr. Kent is in the office of Mr. Reid, who is a director, and Mr. McDougald is a director also, of the Trusts & Guarantee Company. This property was sold to Mr. John A. Kent for the sum of \$37,000.

Sir HENRY DRAYTON: I have the file here. Perhaps it will shorten this. This is net to the company. The letter is a letter dated April 17, and it comes from Mr. D. J. McDougald, he is a director of the railways, is he not?

Sir HENRY THORNTON: Yes.

Sir HENRY DRAYTON: He writes a letter to Mr. Palmer saying that, "as stated to you over the telephone, I have now much pleasure in enclosing herein a signed offer for the Woodbine Avenue property, for the sum of \$37,000.

together with an initial deposit of \$250. I would suggest that the same be forwarded to Montreal immediately, in order that it may be dealt with at the Board meeting on Monday. The same suggestion with regard to any other offers you may have on hand."

Hon. Mr. DUNNING: What is the date of that?

Sir HENRY DRAYTON: April 17. Then there is a postscript which reads: "You, of course, understand that the price is net and the Company has no commission attached," so apparently, the last offer was net.

Mr. HARRIS: Did John A. Kent, Mr. Palmer, buy this himself? Was the deposit of \$250 made on this property signed by John A. Kent?

Mr. WARREN: No, sir, it was in currency, I believe. It was handed to me. I am not sure whether it was in fifty dollar bills, but I handed it over immediately, because I don't trust myself with any money.

Mr. HARRIS: Was the title given to John A. Kent?

Mr. PALMER: No, it was not.

Mr. HARRIS: In whom is the ownership of that property vested now?

Mr. WARREN: The Canadian National Railway.

Mr. HARRIS: I have here an extract taken from the minutes of the records of the Council of the City of Toronto on May 5, 1926, which says that the owner of this property now is the Trust and Guarantee Company. They are the owners? Have you any knowledge of the sale of the property which was bought by Mr. John A. Kent, an office clerk in the office of Mr. Reid of the Trust and Guarantee Company?

Mr. PALMER: No.

Mr. HARRIS: You do not know for how much money this property was subsequently sold to the Trust and Guarantee Company between April 17 and May 5.

Mr. PALMER: I don't know. As a matter of fact, the deed has not yet been given.

Mr. HARRIS: Have you had any negotiations with the Trust and Guarantee Company?

Mr. PALMER: Only by their handling the closing of the purchase through the solicitor.

Mr. HARRIS: Are they closing the purchase in the name of this gentleman, Mr. John A. Kent, or are they closing the purchase in the name of the Trust and Guarantee Company?

Mr. PALMER: We have been advised that they will give us an assignment from John A. Kent to Mrs. Stockdale, and the deed is made out to Mrs. Stockdale.

Mr. HARRIS: Is Mrs. Stockdale the wife of Mr. E. B. Stockdale, General Manager of the Trust and Guarantee Company, of which Mr. Reid and McDougald are directors?

Mr. WARREN: That we do not know, Mr. Harris.

Sir HENRY DRAYTON: The letter is being turned up here.

Mr. HARRIS: Have you the initials of Mrs. Stockdale?

Mr. WARREN: We don't know Mrs. Stockdale.

Mr. HARRIS: Neither do I.

Sir HENRY DRAYTON: Apparently, Mr. Chairman, that letter has been sent to the Company's solicitors. The witness is speaking from memory. We could get her initials if we had that letter here.

The CHAIRMAN: You are not sure of the initials?

Mr. PALMER: No. I think it is Mrs. Ethel Stockdale. A mortgage from Ethel B. Stockdale to the Canadian National Railway.

Mr. HARRIS: Is Ethel B. Stockdale any relative of Mr. E. B. Stockdale, a director of the Trust and Guarantee Company?

The CHAIRMAN: He cannot tell you that.

Mr. PALMER: I cannot tell you anything about it.

Mr. HARRIS: The whole thing hinges on Mr. McDougald's absence. He is a director and could tell us all about this. The property is now vested in the name of Mrs. E. B. Stockdale—

Mr. PALMER: That is my instruction.

The CHAIRMAN: It does not say "Mrs. E. B. Stockdale"; it says "Mrs. Ethel Stockdale."

Sir HENRY DRAYTON: Ethel B. Stockdale.

Mr. HARRIS: She undoubtedly is the wife of E. B. Stockdale, the General Manager of the Trust and Guarantee Company, of which Mr. Reid and Mr. McDougald are co-directors.

Hon. Mr. DUNNING: I don't think any witness said that, Mr. Harris.

Mr. HARRIS: We are stalled by not having Mr. McDougald here. I think Mrs. Stockdale is the wife of Mr. E. B. Stockdale.

The CHAIRMAN: Are you stating that as a fact?

Mr. HARRIS: Yes, I will state that, and take a chance on it.

Mr. POWER: May I ask Mr. Warren if the Railway received more or less money from the sale to Mr. Kent or Mrs. Stockdale than they would have received from any other offer made by Mr. Grant?

Mr. WARREN: We estimated we received \$1,920 more on the offer we accepted than we would have received on any previous offer.

The CHAIRMAN: Because you were not paying a commission.

Mr. BELL (Deputy Minister): The exact prices were \$37,000 for one, and \$35,059.50 for the other, after deducting the commission.

Sir HENRY THORNTON: That was presuming a commission was payable by the company, on the third offer. Mr. Grant says it was not.

Mr. HARRIS: Mr. Chairman, I would like to ask Mr. Warren a question in that same connection. What was the assessed valuation of this property by the City of Toronto?

Mr. WARREN: The assessed value the City of Toronto put on—

Mr. HARRIS: In the first place, it was \$47,900, was it not?

Mr. WARREN: Wait a minute, and we will give it to you. \$31,650. That was in 1922.

Mr. HARRIS: How is that made up?

Mr. WARREN: \$7,500 an acre, and they have 4.22 acres. I will admit they made a mistake. We have about 4.9 acres, or 4.97.

Mr. HARRIS: Subsequent to that, your assessment was raised, was it?

Mr. WARREN: That was \$31,650.

Sir HENRY DRAYTON: What year?

Mr. WARREN: 1922.

Sir HENRY DRAYTON: What is the present assessment?

Mr. PALMER: I don't think I have the exact information on that. We did not handle that.

Mr. HEAPS: Did we not have the assessed value of that property yesterday?

Mr. HARRIS: Yes, it appears in the evidence of yesterday at \$10,000 an acre.

Mr. WARREN: In 1925, the land was valued by the City of Toronto at \$10,000 per acre, which was afterwards reduced by the Court of Revision to \$8,500. We were contending for \$6,000 per acre. Of course, our contention is a little on the low side.

Mr. HARRIS: Mr. Chairman, there are one or two observations I would like to have put on record. I would like to ask Mr. Grant if he had any representations made to him from the Trust and Guarantee Company, asking him to purchase some of this property?

Mr. GRANT: I have.

Mr. HARRIS: Who has been trying to sell some of this property to you?

Mr. GRANT: Mr. Armitage.

Mr. HARRIS: Who is Mr. Armitage?

Mr. GRANT: He is a salesman for the Trust and Guarantee Company.

Mr. HARRIS: For how much did he offer you the property?

Mr. GRANT: He asked \$45 a foot, taking the ravine land with the level land.

Mr. HARRIS: In your experience as a builder, how many feet to the acre would a property of this kind run?

Mr. GRANT: I cannot answer that, but I did figure it to be about 1,250 feet which I could get for building purposes.

Mr. HARRIS: Do you know a property known as the "Harris" property, just across the Danforth Road from this property?

Mr. GRANT: I do.

Mr. HARRIS: It is similar property to this, is it not?

Mr. GRANT: Yes.

Mr. HARRIS: And do you know that that property subdivided almost 300 feet to the acre?

Hon. Mr. DUNNING: Does the witness say that?

The CHAIRMAN: What are you leading up to, Mr. Harris.

Mr. HARRIS: How many feet in an acre, and from that to \$45 a foot, and from that how much they are selling this property to Mr. Grant for, at this time.

The CHAIRMAN: What would that prove?

Mr. HEAPS: To get Mr. Grant's figures, assuming there was 1,250 feet, as he states there would be, it would amount to \$56,250.

Mr. HARRIS: Just before you come to that: is it definitely known to you, Mr. Grant, that that property across the Danforth Road, on the other side of the road, Danforth frontage, was sold on the basis of \$70 per foot frontage?

Mr. GRANT: Yes.

Mr. HARRIS: So at \$45 per foot, this would be about the value of the property?

Mr. GRANT: Yes.

Mr. HARRIS: For real estate transactions?

Mr. GRANT: Yes.

Mr. HARRIS: You say there were at least 1,200 feet frontage on this property?

Mr. GRANT: Yes.

Mr. HARRIS: How many feet frontage on Woodbine avenue?

Mr. GRANT: Around 50 feet for building purposes. The rest of it is taken up by street.

Mr. HARRIS: And Mr. Armitage of the Trust and Guarantee Company wants to sell you this property at \$45 a foot, which is \$54,000, plus the Woodbine frontage, which would bring the whole price up to about \$58,000. Is that correct? Is that the deal Mr. Armitage wants to make?

Mr. GRANT: They wanted me to buy one-half of what they have saved for building purposes.

Mr. HARRIS: If you bought the whole, on the basis that you bought the half, it would cost you \$58,000?

Mr. GRANT: That is correct.

Mr. HARRIS: And the difference between \$58,000 and \$37,000 is \$21,000?

The CHAIRMAN: Would that half be as good as the other half?

Mr. GRANT: I was asked to take half of it.

Hon. Mr. DUNNING: What would be the cost of the subdividing work, Mr. Grant? I understand you are being offered part of the property to be subdivided.

Sir HENRY DRAYTON: What would the plan be worth, registered?

Mr. HARRIS: Would it be worth ten per cent or twenty per cent?

Sir HENRY DRAYTON: How much would you have to pay for surveyors, for instance?

Mr. GRANT: I did not get far enough to get that done.

Mr. HARRIS: Mr. Chairman, without Mr. McDougald here, it is hard to go any further.

The CHAIRMAN: I might say in connection with that that we regret Mr. McDougald is not here. Sir Henry Thornton has handed me a telegram which he has just received, and which he asked me to read. It is dated at Toronto, June 11th, at 10.58 a.m., and reads as follows:

Regret being unable to appear before Railway Committee to-day received your second telegram in Albany last night newspaper reports this morning would seem to suggest that my name was discussed unfavourably in connection with the sale of the Woodbine Avenue property. I wish this matter to be investigated thoroughly and the facts of the matter brought before the Railway Committee. My connection with the transaction began when Mr. Warren came to my office for the purpose of securing my approval in connection with an offer the Railway had received for this property amounting if my memory serves me right to \$36,300 less a commission of roughly \$1,200 or a net price to the railway of about \$35,100. Being unable to consent to the sale without first finding out what the property was worth I had same valued at my expense by the Trusts and Guarantee Company's real estate department, which report indicated that a better price could be obtained through that company's real estate department. Acting as agents for clients of theirs they were able to secure an offer of \$37,000 net to the Canadian National Railways or in other words nearly \$2,000 more than the first offer that had been submitted to me. It is needless for me to say that I did not disclose to the Trusts and Guarantee Company or its clients any of the particulars of the other offer. I wish to state emphatically that the Trusts and Guarantee Company Limited, of which I am a director, is not either directly or indirectly interested in this transaction in a capital way. I also wish to say that I myself had no interest in the transaction

other than to secure for the railway the highest possible price. I again insist that the Railway Committee make a thorough investigation of the transaction in order that the facts in connection therewith may receive the same publicity that the newspapers reports this morning gave. Although my days are fully occupied during the next two weeks I will respond to a summons to appear before the Railway Committee at any time. Please advise me when. I also wish this telegram filed with the Railway Committee.

(Signed) D. J. McDougald.

Mr. HARRIS: That telegram is very satisfactory. It is unfortunate he is not here. Ethel B. Stockdale, no doubt, is the wife of E. B. Stockdale, general manager of the Trust and Guaranty Company, and whereas the Trust and Guarantee Company have no capital interest, Ethel B. Stockdale no doubt will have a capital interest in it before she is much older, when this deal is consummated.

Sir HENRY DRAYTON: In one sense, that wire cleans it up nicely, but in another sense it makes it worse than before, because apparently the advice he got as to what he should sell this for was from the company which apparently, through its manager, or through some director or other, is reaping the benefit of it. Apparently, the situation stands in this way, that Mr. McDougald gets involved in this question and goes to the real estate man of the Trust and Guarantee Company, and pays him himself, he says—and no doubt he has, if he says so—but the Trust and Guarantee Company in the first instance, through a director, Mr. Reid, gets this offer through the other director, Mr. McDougald, in favour of a clerk in Mr. Reid's office. This clerk apparently has no interest in it at all, because from the files it is quite apparent that the property is not to go to him, but to go to Mrs. Ethel B. Stockdale. I have not the pleasure of the lady's acquaintance, and I do not know who her husband is, but Mr. Harris says she is the wife of the general manager of the Trust and Guarantee Company.

Mr. HARRIS: Or a relation.

• Hon. Mr. DUNNING: Mr. Harris said that he would take a chance, and say she was the wife.

Mr. POWER: I think it is up to Mr. McDougald to come here himself.

Mr. HEAPS: There is another aspect to this. As far as the officials of the railway are concerned, I do not think they did any but the right thing. I think they got the best price, under the circumstances, and there is nothing to be said against them.

Mr. HARRIS: I would like to ask a question of Sir Henry (Thornton). In view of the fact that tenders were called for, subsequently opened, and refused by the officials, in your opinion when the tenders were not finally accepted, would it not have been a good business policy to have asked for new tenders?

Sir HENRY THORNTON: Not necessarily, Mr. Harris. As I explained before, the way these things are handled is this: the local officer or the regional officer makes his recommendation to Mr. Hungerford, and if he agrees, he brings it to me, and we discuss it, and if we think the price is satisfactory, usually the sale is consummated, assuming we have no use for the property, for railway purposes. In this instance, when Mr. Hungerford got the report, he felt that the price was not high enough, and he sent the papers and the whole proposition back to Mr. Warren, to see if a higher price could not be obtained. The price was increased, apparently, through negotiations, by some \$2,000 or \$1,700, roughly, and that seemed to be satisfactory to Mr. Hungerford. He brought the matter to me, and it was discussed, and we concluded that all things considered would justify us in consummating the sale at that price.

Mr. HARRIS: Were facts brought to you to the effect that Mr. McLaughlin intimated to Mr. McDougald that Mr. Grant would raise his price?

Sir HENRY THORNTON: I never heard of Mr. McLaughlin or Mr. Reid, or anyone else, in connection with it.

Sir HENRY DRAYTON: It is only fair to let one man advance his ideas as well as the other. Was it not a good idea to let Mr. Grant have a chance to increase his price?

Mr. WARREN: Mr. Grant did have the chance, and we were told he would submit an offer.

The CHAIRMAN: Sir Henry (Thornton), was not the assertion made that Mr. McLaughlin said that Mr. Grant might go up to \$37,000, but a commission would have to be paid out of that?

Mr. WARREN: When I say "Mr. Grant" I mean Mr. Walker, who was acting as an agent for Mr. Grant.

Mr. GRANT: When that last offer was put in, I was with Mr. Walker.

Sir HENRY DRAYTON: You say this last offer was given to Mr. Walker, and he had a chance to go up again?

Mr. PALMER: They had a chance to put in a new offer.

Sir HENRY DRAYTON: When?

Mr. PALMER: After they were advised that the \$36,300 was not big enough. We asked them to resubmit their offer and put in a new offer.

Sir HENRY DRAYTON: When was that, and whom did you tell that to.

Mr. PALMER: It was about April 16th.

Sir HENRY DRAYTON: Were they given any opportunity after Mr. McDougald had it in his hands?

Mr. PALMER: It was in his hands at the time, and we knew there was an offer coming in about that time, and we said "If you will put in another offer, it will be considered with any others which we get."

Sir HENRY THORNTON: Then Mr. Grant did have a chance to raise his offer?

Mr. WARREN: Yes.

Sir HENRY THORNTON: I would like to make this clear, that insofar as the officers of the Company are concerned, and insofar as Mr. Hungerford's and Mr. Warren's and my responsibility goes, when we get an offer which seems to be satisfactory, we close it. We had no knowledge of Mr. Grant, or Mrs. Stockdale, or Mr. Kent, or all the rest of the good ladies and gentlemen who live in Toronto.

Mr. BOYS: Mr. Chairman, yesterday there was a point that struck me as important, as to whether or not Mr. Grant was asked to renew his offer. This was in April, the previous transaction having been in February. I was not able to be here sooner this morning, and I do not know whether Mr. Grant has been asked whether he had an opportunity to renew his offer, and if so, did he do it?

The CHAIRMAN: That has just been referred to now?

Mr. BOYS: Let us ask Mr. Grant. (To Mr. Grant) After you had put in your tenders, did you learn that your tender had not been successful?

Mr. GRANT: When I put my offer in, Mr. Palmer said they were expecting another offer, and asked if that was my best offer, and I said "If you are expecting another offer—"

Mr. BOYS: Just one moment. I want to know if you ever learned that your tender and other tenders were not satisfactory.

Mr. GRANT: Yes, I did.

Mr. BOYS: Have you any idea when you learned that?

Hon. Mr. DUNNING: That has all been gone over previously.

Mr. BOYS: I will not be a minute.

Mr. GRANT: I learned it between the time I put the offer in, and before Mr. McDougald put his offer in.

Mr. BOYS: Give us the date.

Mr. GRANT: I cannot give you the exact date.

Mr. BOYS: Then, after you learned of this, did you get a letter asking you to renew your original offer?

Mr. GRANT: No sir.

Mr. BOYS: It was stated yesterday that such a letter was sent.

Mr. WARREN: I did not say it to Mr. Grant, because we have not done any business with Mr. Grant at all; we have done it with Mr. Walker.

Mr. BOYS: Yesterday the statement was made that Mr. Grant was asked to renew his offer. That statement should not have been made, if it was not so.

The CHAIRMAN: I think Mr. Harris made that statement.

Mr. BOYS: No, one of the officers said that.

Mr. POWER: No, I think you are wrong.

The CHAIRMAN: No, I don't think so, Mr. Boys.

Mr. BOYS: Well, anyway, whether it was or not, let us get the fact. Is it so? Is there anyone here who suggests that Mr. Grant was asked to renew his offer?

Mr. WARREN: Yes, I say Mr. Grant's agent was notified.

Mr. BOYS: If you notified his agent, you notified him.

Mr. WARREN: Then he was notified?

Mr. BOYS: How was he notified?

Mr. PALMER: By telephone.

Mr. BOYS: Did Mr. Walker make a reply to that?

Mr. PALMER: Yes.

Mr. BOYS: What was his reply?

Mr. PALMER: He replied that Mr. Grant would not increase his offer, and they did not consider it was worth while to renew his offer.

Mr. BOYS: Were you made aware of the fact that your agent, Mr. Grant, had been asked to do that, and had refused to make any further offer for you?

Mr. GRANT: No, when I found that out, Mr. Walker was handling that affair—it was not me.

Mr. BOYS: I am trying to get this thing straightened out.

Mr. GRANT: I heard that my offer was not large enough.

Mr. BOYS: Who told you that?

Mr. GRANT: I got it from Walker.

Mr. BOYS: Did he tell you who he received that information from?

Mr. GRANT: He said—

The CHAIRMAN: This is all hearsay evidence.

Mr. BOYS: After that, did you submit another offer?

Mr. GRANT: No more than verbal.

Mr. BOYS: Well, verbally is submitting it. To whom did you submit it?

Mr. GRANT: To Mr. McLaughlin, and he took it up with Mr. McDougald, and this is what Mr. McDougald says, "there is no use putting in an offer of \$37,000."

The CHAIRMAN: That is all on the record, already, Mr. Boys.

Mr. BOYS: I am awfully sorry that I was not here; I had an important meeting to attend.

Sir HENRY DRAYTON: Is Mr. Boys' point cleared up?

The CHAIRMAN: It is quite evident that another offer was made.

Hon. Mr. DUNNING: He could not deal through Walker, and started to deal through McLaughlin.

Mr. BOYS: Was that your limit, \$37,000?

Mr. GRANT: I cannot say that.

Mr. BOYS: You might, in the light of what has taken place, be willing to give more now, but at that time, you surely have a pretty good idea of whether you thought of going over \$37,000?—A. Well, if it is worth \$37,000, an extra one thousand would not have hurt me.

Mr. BOYS: Is it fair to say you would not have gone higher than \$38,000?

Mr. GRANT: Yes.

Mr. BOYS: Then the whole thing would come down to a matter of \$1,000, after being two or three months in negotiation, and there would be a question of commission.

Hon. Mr. DUNNING: Were you going to pay Mr. McLaughlin the commission?

Mr. GRANT: That was taken up with Mr. McLaughlin, whether it is any good now, but that was net to the railway company, the price I was negotiating with McLaughlin was \$37,000.

Mr. POWER: What did you intend to pay McLaughlin, Mr. Grant?

Mr. GRANT: Three and a half per cent, and he would of course split with Walker.

The CHAIRMAN: The Railway company had a different understanding of it. They figured that they would have to pay the commission, that is apparent from the memorandum.

Sir HENRY DRAYTON: That was the \$36,300. That was when Walker was in it. They have nothing on the file about McLaughlin.

Mr. WARREN: No, we never heard of him.

Mr. HARRIS: The whole point, as I said yesterday, is that it is a matter of principle. It was not my intention to put the railway company to the trouble of bringing these gentlemen here, as I said yesterday. It seems too small a matter. On the other hand, there is a vital principle involved. Here is a case where the tenders were called, subsequently opened, reviewed by one of the directors of the company, quite properly; and subsequent to that review, one of the directors of the company assisted in the negotiation of this sale with another company. In the interests of the Canadian National Railways, I would like to ask Sir Henry Thornton, if it would not be better business, in a case of this kind, to again call for tenders, being very careful for the railway company to make sure that every avenue of approach to prospective buyers would be opened up and used, with the view of having all parties who might be interested in such sale given a full opportunity to make their tender, instead of, as in this case, leaving it to one party alone, and that party being a company of which one of the directors of the C.N.R. happens to be a director.

Sir HENRY THORNTON: The closing of this deal, was in no sense in the hands of Mr. McDougald, a director of the company. His advice was sought as to

what the property was worth, but Mr. McDougald had no authority to close the sale.

Sir HENRY DRAYTON: You have not had a chance of reading the file, Sir Henry. What the file shows is this, that the matter was left in Mr. McDougald's hands, and Mr. McDougald writes in that the offer has been made from Kent, and he leaves it to the company, to put the papers in proper form. Then he gets it signed by Kent, and sends it back to the company.

Sir HENRY THORNTON: In the practical working out of that, Sir Henry, what would happen in that case and in all cases is this: The recommendation of the legal officers verified by the recommendation of the director, would go to Mr. Hungerford, and he would be at liberty to turn that offer down if he saw fit, and if he approved it, he would take it to me, and if he and I approved it, then it would go to the Board for approval, and the Board would presumably act on the recommendation of Mr. Hungerford and myself.

Sir HENRY DRAYTON: The thing I was pointing out to you is, that Mr. McDougald was an active man.

Sir HENRY THORNTON: I would not have hesitated a second in declining Mr. McDougald's offer if we did not think it a proper offer to accept.

Sir HENRY DRAYTON: I am not saying that, of course. It is a matter for Mr. McDougald, as I said before, and I think my friend from Quebec, entirely agrees with me. There is one thing I would like to point out and that is, that true it is only second-hand evidence, but still the statement is made that the second real estate agent imported into this matter, McLaughlin, states that Mr. McDougald told him there was no good putting an offer of \$37,000, and that this witness says that was to be net to the company, which is exactly the same as the offer accepted.

The CHAIRMAN: Mr. McDougald offers to come before the Committee. He feels sensitive about this. Does the Committee think it worth while calling him, and giving him an opportunity to state his side of the case?

Sir HENRY DRAYTON: I think it is only fair to him.

Mr. POWER: If he wants to come.

Sir HENRY THORNTON: He evidently wants to come.

Mr. HEAPS: If the Committee meets on Monday, we could hear him then.

The CHAIRMAN: Shall we meet on Monday and hear Mr. McDougald? Then, shall we call this closed for the time being?

Sir EUGENE FISKE: Many of the members will not be here on Monday.

Mr. POWER: That does not matter. We can read all about it in the papers.

Mr. HEAPS: We have not decided to meet on Monday yet.

The CHAIRMAN: It is no use having him here if the members cannot attend. Shall we say Tuesday?

Hon. Mr. DUNNING: May I refer again to the discussion in the House, regarding the time at which this Committee would report to the House. I undertook to facilitate proceedings as much as possible. We are now moving towards a conclusion. I agree that Mr. McDougald should be given the opportunity to appear here, but surely we could manage to sit on Monday. The time is passing, and we have still to deal with the real business of this Railway?

Sir HENRY DRAYTON: Make it Monday afternoon, the members will be here then.

Mr. POWER: I would make this suggestion, that we go on with the work of the Committee, which after all is to review the estimates, and if we think fit to recommend the estimates, let us do so, irrespective of this McDougald matter.

After all, even if the fact were proved that there had been improper conduct on the part of Mr. McDougald that would not be sufficient to cause us to turn down an item of \$31,000,000.

Sir HENRY DRAYTON: Quite right.

Mr. POWER: Let us go ahead with that, and if Mr. McDougald wants to come sometime before the close of the session, I do not think there is any doubt that we would hear him.

Sir HENRY DRAYTON: We should have McLaughlin too.

Sir HENRY THORNTON: Let us call all the witnesses.

The CHAIRMAN: If you want to call them, we will have to fix a time.

Mr. HEAPS: Make it Tuesday, and give them a chance to be here.

The CHAIRMAN: Then it is moved by Mr. Heaps, seconded by Mr. Harris, that Mr. McDougald, Mr. Walker and Mr. McLaughlin be asked to appear here.

Mr. HARRIS: I do not feel disposed to take the onus of putting the company to all that expense in a deal of \$37,000. However, if Mr. McDougald wants to come voluntarily, and it is the wish of the Committee in justice to the others, both McLaughlin and Walker should be here.

The CHAIRMAN: That was your motion, Mr. Heaps. Will someone else second it, if Mr. Harris does not wish to?

Mr. JELLIFF: I will second it.

Mr. BOYS: I have no desire to block their attendance, but what is the use of bringing them here in a situation such as this.

The CHAIRMAN: Mr. McDougald wants to clear himself.

Mr. BOYS: I am not referring to Mr. McDougald. As to the others, I cannot see anything to be gained by calling them at all.

Hon. Mr. DUNNING: It would be hardly fair to call Mr. McDougald alone, when others are reported here as speaking of conversations which took place between them and Mr. McDougald, and with someone else. We want to give Mr. McDougald a fair chance.

Mr. BOYS: I quite agree with you, but the situation that has developed now at the very most comes down to an amount of \$1,000 on the sale of a \$37,000 property. Mr. Harris has been very fair I think, and he says that the only thing he criticizes is the question of principle. Now, are we going to delay this Committee over a matter of \$1,000? Supposing you had negotiated for another three or four months and got another \$1,000 you would not be much further ahead after you paid the taxes and so on. It seems to me that when Mr. Grant admits that at the outside he would not have increased his offer by more than \$1,000 and he would not say positively that he would do that, that should put an end to it, apart from what Mr. Harris says as to whether or not it is a desirable way of doing business when tenders are called for, that they should be disregarded and the deal made between two or three men. Sir Henry has explained that, and pointed out that he leaves the procedure to the officers of the company, to do their best for the company, and in this case, apparently some additional money was got. It seems to me, that as far as the company is concerned, and I am only dealing with the company, there can be no reflection whatever. That is the view I take. However, if the Committee wants to go to the expense of bringing these witnesses here, I do not want to block it, but I cannot for the life of me see that we are going to get any good from it.

Hon. Mr. DUNNING: You were not here early, Mr. Boys, and did not hear all the statements of fact that were made this morning. We have heard some

things that we did not know from the evidence of yesterday. First, that Mr. Grant put in his original offer of \$30,000 for this property before tenders were called for.

Mr. Boys: Why is that important?

Hon. Mr. DUNNING: I am reviewing what happened.

Mr. Boys: Just dealing with that, first, why is that important? We know he wanted to get it as cheap as he could.

Hon. Mr. DUNNING: As a fact, he made an offer of \$30,000. Subsequently, tenders were called for, and he increased his offer to \$36,300. Out of that, the company's understanding was, just as in connection with his first offer, that a commission of three and a half per cent was payable to Mr. Grant's agent.

Mr. Boys: I understand that. Have I not summed it up about right, that the whole thing comes down to a discussion of about \$1,000?

Hon. Mr. DUNNING: I cannot see even \$1,000 in it. Asking a witness now what he would have paid for a property, if and but, and had something else not happened is scarcely a fair deduction.

Mr. HARRIS: There was a sale to the Trust & Guarantee.

The CHAIRMAN: You are opposed to calling anyone but Mr. McDougald.

Mr. Boys?

Mr. Boys: I feel that the country should not be put to that expense.

Mr. POWER: Then, Mr. Boys and Sir Henry Drayton and myself think that if Mr. McDougald feels that he is implicated in this, he will come here and we will hear him.

Mr. HARRIS: The same right should apply to Mr. McLaughlin and Mr. Walker.

Mr. HEAPS: The only reason I asked for Mr. McLaughlin and Mr. Walker is that their names have been made very prominent here to-day, and certain reflections have been cast on Mr. McDougald. We can clear the thing up by having them all here, and if Mr. McDougald comes, we may want the other witnesses subsequently.

The CHAIRMAN: There is no reflection on Mr. Walker and Mr. McLaughlin.

Mr. HEAPS: But I have an idea that Mr. Walker could throw some light on the question of commission. I was wondering whether he was trying to get two commissions, one from each side.

The CHAIRMAN: Then I will take my statement back, that he has not been reflected upon.

The CHAIRMAN: The motion is before the Committee. Are you ready for the question?

Mr. HEAPS: Make it voluntary, as to their coming.

The CHAIRMAN: We cannot force them to come.

Mr. Boys: If there has been any reflection on these gentlemen, let them come. But I understand there has been none, and that is the distinction I make.

Hon. Mr. DUNNING: Mr. Grant says that Mr. McLaughlin told him that Mr. McDougald said to Mr. McLaughlin so and so. Then if Mr. McDougald comes here and says "I did not say to Mr. McLaughlin" so and so, then someone would wish to ask Mr. McLaughlin whether he correctly reported the conversation he was supposed to have with Mr. McDougald. That is the sort of difficulty we get into, with hearsay evidence.

Mr. HARRIS: It would not have been hearsay evidence if Mr. McDougald had attended.

Sir EUGENE Fiset: The fact remains that, through the action of the Committee, certain reflections have been cast on one of the directors of the Canadian National Railways. There is no doubt that the railway officers did properly try to secure the best price they could get for the company. There is only that reflection on Mr. McDougald that is left open. It has been published in the press, and I think he will be anxious to give evidence and that he should have the opportunity of appearing before the Committee.

The CHAIRMAN: It has been moved and seconded that these three gentlemen be invited, if they so desire, to appear before the Committee. All in favour?

Motion carried.

Mr. HARRIS: Then, Mr. Chairman, I would like to ask a few questions with regard to the purchase of property by the Canadian National Railways.

The CHAIRMAN: It is a quarter to one. Do you want to go on with this now?

Mr. HARRIS: Mr. Warren is here now, and I may not have another opportunity. I will be through in three minutes.

Sir HENRY DRAYTON: Could we not sit this afternoon?

The CHAIRMAN: We have that power. Will the Committee hear Mr. Harris now? Go on, Mr. Harris.

Mr. HARRIS: I wish to ask if the Company have consummated the purchase of a triangular piece of property on the north side of Eastern avenue, Toronto, and on the east side of the company's property. The land is owned by the Consumers' Gas Company, and consists of three quarters of an acre.

Sir HENRY THORNTON: Mr. Warren will answer.

Mr. WARREN: We have practically reached an agreement.

Sir HENRY THORNTON: Is there any objection to stating the price?

The CHAIRMAN: Is it something you do not wish to have made public?

Mr. HARRIS: If so, I do not want to embarrass the company in any way.

Sir HENRY THORNTON: Mr. Fraser can explain it.

Mr. R. H. FRASER (Right-of-way Agent, Department of Railways and Canals, and Chairman of the Property Commission, Toronto Terminal Railways): The land in question has been expropriated in order to allow subways to go underneath. That is because of the raising of the grade at the Don river. We have had some objection made to the way it has been expropriated by the National Railways.

Mr. HARRIS: But it has been expropriated?

Mr. FRASER: Yes. There has been some objection by Toronto as to whether that has been the proper way to do it. The Railway Company have the right to expropriate any property needed for the purposes of the railway.

Mr. HARRIS: It will not embarrass the Railway to say that this three-quarters of an acre has been purchased?

Mr. FRASER: Oh no. It has not been settled yet.

Mr. HARRIS: About what price do you expect to have to pay?

Mr. FRASER: We have not a price on it yet. There are a number of surrounding properties, which are being negotiated for, and this is such a little piece that we are leaving it until we get the other settled.

Mr. HARRIS: This transaction has not been consummated yet.

Mr. FRASER: No, it has not been.

Mr. POWER: Have you taken proceedings for expropriation?

Mr. FRASER: Yes.

Mr. HARRIS: I was interested to know as to that piece of property which the C.N.R. have taken over, whether the deal has been consummated or not. If it has not been consummated, then any evidence brought out here might embarrass the deal.

Hon. Mr. DUNNING: This is a matter in connection with which there is a Bill pending before the House.

Mr. HARRIS: Not for this particular piece, that is another deal.

Mr. POWER: Mr. Ruel, do you intend to expropriate?

Mr. RUEL: Yes, if we cannot agree as to the price we have got to expropriate. We cannot hold up the work.

Mr. HARRIS: Have you made an offer for this property?

Mr. RUEL: I understand so. But Mr. Palmer would know as to that.

Mr. FRASER: No, we have not made an offer yet. There are a number of different interests that the Gas Company have; the moving of pipes, and a lot of those things that have not been settled, that must be dealt with from an engineering standpoint, and that will affect the value of the property; not the real assets value, but their claim for damages. Those things have been going on.

Mr. RUEL: There is nothing in it that cannot be spread out before the Committee, or in the newspapers. There is nothing to conceal.

Mr. HARRIS: Another question. Will the Railway Company be good enough to bring to our next meeting the facts with regard to a deal which was consummated in Essex County near the St. Clair River in 1922 or 1923. I should like to know the price that was paid, to whom the land was sold, and how many feet frontage there are on the lake; and if it was sold by private sale, or advertised. One of the members of the House is very much interested in this property, the member for that constituency—I should not say interested in the property, but in the principle underlying the sale of all this property. Of course, the members of this House of Commons represent the shareholders who own this Canadian National Railways, and it is in their interest, I want to make that clear, that nothing except principles is in my mind in discussing these sales.

Sir HENRY THORNTON: We will have that information for you at the next meeting.

Mr. BELL: That was before Sir Henry's regime.

Sir HENRY THORNTON: That was the Cooper transaction.

Mr. POWER: Mr. Chairman, I move that we meet on Monday morning at eleven o'clock.

Sir HENRY DRAYTON: Monday at eleven.

The CHAIRMAN: Then it has been moved by Mr. Power, seconded by Sir Henry Drayton, that we meet on Monday morning at eleven o'clock.

Sir EUGENE Fiset: I move an amendment that we make it Tuesday. Half of the Committee will not attend on Monday.

Hon. Mr. DUNNING: I hope the members of the Committee will defend me in the House when I am charged with bringing in this report at the last minute.

Sir EUGENE Fiset: Sir Henry Drayton will do that?

The CHAIRMAN: We will take a show of hands as to whether the Committee will meet on Monday? I declare the motion lost.

It has been moved and seconded that the Committee will meet on Tuesday morning at eleven o'clock.

Carried.

The CHAIRMAN: The Committee will now adjourn until Tuesday morning, the 15th June, at 11 o'clock.

The Committee adjourned until Tuesday, June 15, at 11 o'clock A.M.

SESSION 1926
HOUSE OF COMMONS

SELECT STANDING COMMITTEE

ON

RAILWAYS AND SHIPPING

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 11—JUNE 15, 1926

WITNESSES:

Sir Henry Thornton, President, C.N.R.

D. J. McDougald, Director, C.N.R.

ORDER OF REFERENCE .

HOUSE OF COMMONS,

WEDNESDAY, May 19, 1926.

Resolved,—That Rule 10 of the House of Commons relating to the appointment of the Select Standing Committees of the House be amended by adding to the Select Standing Committees of the House for the present session a Select Standing Committee on Railways and Shipping owned, operated and controlled by the Government, to which will be referred the estimates of the Canadian National Railways and the Canadian Merchant Marine for the present session, for consideration and for report to the House, provided, however, that nothing in this resolution shall be construed to curtail in any way the full right of discussion in Committee of Supply; and that the said Committee consist of Messrs. Bell (St. Antoine), Boys, Campbell, Clark, Drayton, Dunning, Euler, Fiset, Harris, Heaps, Jelliff, Jones, Johnston, Power and Robichaud.

Attest.

—
ARTHUR BEAUCHESNE,

Clerk of the House.

REPORTS

HOUSE OF COMMONS,

WEDNESDAY, May 26, 1926.

First Report: Mr. Euler, from the Select Standing Committee on Railways and Shipping owned, operated and controlled by the Government, presented the First Report of the said Committee, which is as follows:—

Your Committee recommends that its minutes of proceedings and evidence be printed from day to day for the use of the members of the Committee and of the House and that Rule 74 be suspended in reference thereto.

Second Report: Mr. Euler, from the Select Standing Committee on Railways and Shipping owned, operated and controlled by the Government, presented the Second Report of the said Committee, which is as follows:—

Your Committee recommends that it be granted leave to sit while the House is in session.

Concurrence: On motion of Mr. Euler, the First and Second Reports of the Select Standing Committee on Railways and Shipping owned, operated and controlled by the Government, were concurred in.

FRIDAY, May 28, 1926.

Third Report: Mr. Euler, from the Select Standing Committee on Railways and Shipping owned, operated and controlled by the Government, presented the Third Report of the said Committee, which is as follows:—

The attention of your Committee having been drawn to the omission of the interim supply voted by Parliament during the present Session, of any part of Items 372 and 373, of the Estimates 1926-27 respecting loans to the Canadian National Railway and the Canadian Government Merchant Marine, Limited;

— Your Committee therefore recommends that Parliament grant as interim supply the sum of \$10,000,000 of the said Item 372 and the sum of \$200,000 of the said Item 373.

MONDAY, 14th June, 1926.

On motion of Mr. Euler, the Third Report of the Select Standing Committee on Railways and Shipping owned, operated and controlled by the Government, was referred to the Committee of Supply.

MINUTES OF PROCEEDINGS

HOUSE OF COMMONS,

TUESDAY, June 15, 1926.

The meeting came to order at 11 a.m., Mr. Euler, the chairman, presiding.

Members present:—Messrs. Bell, Boys, Clark, Drayton, Dunning, Euler, Fiset, Heaps, Jelliff, Johnston, Power, Robichaud.

Sir Henry Thornton, president, and other officials of the C.N.R. were in attendance.

The subject of the sale of Woodbine Avenue property in the City of Toronto, by the C.N.R. was again considered.

The secretary advised that Mr. McDougald, a director of the C.N.R., and Messrs. McLaughlin and Walker, real estate agents of Toronto, had been notified that they would be heard by the committee if they wished to attend.

Messrs. McLaughlin and Walker were called but did not answer to their names.

Mr. McDougald read and filed a prepared statement setting out in detail his connection with the sale in question.

After some discussion consideration of this matter was declared closed.

Mr. Church, M.P., appeared before the committee and made a statement with respect to various phases of the management of the C.N.R.

Sir Henry Thornton agreed to file at a subsequent meeting a statement *re* Passenger Traffic.

The committee adjourned till Wednesday, at 11 a.m.

A. A. FRASER,
Clerk of the Committee.

MINUTES OF EVIDENCE

COMMITTEE ROOM 425,

HOUSE OF COMMONS,

TUESDAY, June 15th, 1926.

The Select Standing Committee on National Railways and Shipping met at 11 a.m., the Chairman, Mr. Euler, presiding.

The CHAIRMAN: The Committee will please come to order.

Mr. HARRIS: I should like to point out that there is a caucus at 11.30 and we should make as much speed as possible.

The CHAIRMAN: On Friday of last week, we had under discussion and investigation the matter of the sale of certain land in the city of Toronto. At the conclusion of the meeting it was decided to invite Mr. McDougald, a member of the National Railway Board, and Mr. Walker and Mr. McLaughlin, the latter two being real estate agents who had to do with this property. I understand Mr. McDougald is here. A telegram was sent to Mr. Walker, inviting him to be present. Is he here? (No response). Mr. Harris was, I think, in the absence of definite information as to Mr. McLaughlin's address, wired to convey the invitation to Mr. McLaughlin to be present at to-day's meeting.

Mr. HARRIS: It so happens I do not know either gentleman.

The CHAIRMAN: You did not get in communication with Mr. McLaughlin?

Mr. HARRIS: No.

The CHAIRMAN: Is it the pleasure of the Committee to hear Mr. McDougald?

Several MEMBERS: Yes.

The CHAIRMAN: Mr. McDougald, will you tell the story?

D. J. McDOUGALD: Mr. Chairman, if I may be permitted, I will read the statement which I have in concise form; it will probably expedite matters:

TORONTO, June 15th, 1926.

The RAILWAY COMMITTEE,
House of Commons,
Ottawa, Ont.

GENTLEMEN:—I regret the necessity of taking up the time of the Committee to explain a transaction in which the Canadian National Railway Company, of which I am a director, secured an additional nineteen hundred and some odd dollars in cash and at the same time was relieved of a prospective liability of about \$1,500 in land damages. The latter item I will explain later on in this statement. My action, however, in doing so is made necessary by the fact that without any knowledge on my part and apparently without any attempt being made to ascertain the facts from me, the matter in question was brought before this Committee and discussed by certain members of it in such a way as might leave a very misleading impression on the minds of the public.

The story of this transaction was embodied in a telegram from me to Sir Henry Thornton on Friday last and which I understand was filed with this Committee. However, as a matter of record I will repeat the statement here more fully.

On or about the ninth day of April, 1926, Mr. A. E. Warren, General Manager of the Central Region of the Canadian National Railways, came to my office and submitted to me for my consideration an offer for the Woodbine Avenue property amounting to \$36,300. This offer, I understand, was subject to a commission of $3\frac{1}{2}$ per cent, which would have reduced the net price to the Railway Company to about \$35,100. I explained to Mr. Warren that having no accurate knowledge of land values in that district, I could not deal with the offer intelligently unless I had the property valued. As already stated before this Committee, I am a director of the Trust and Guarantee Company Limited, and have been for many years. Mr. P. B. Rapp is the Valuator for that Company and has, over the course of twenty years, valued upwards of twenty-five thousand properties for us, on which we have loaned, on the strength of his valuations, many millions of dollars, without ever encountering a loss. Having every confidence, therefore, in Mr. Rapp's ability to make a proper appraisal I sent for him and requested him to make a valuation of the Woodbine Avenue property for me. This was done promptly and without any cost to the Railway Company. Mr. Rapp's valuation, a copy of which is attached hereto, stated that a fair price for the property would be in the neighbourhood of \$38,000 or \$39,000, subject, however, to certain contingencies. Mr. Rapp made this valuation without any knowledge whatever as to the figures involved in the sale negotiations with other people. In other words, there was no such thing as playing one bidder against the other. When Mr. Rapp submitted his valuation to me, I said to him "Now it is very well for you to place a valuation of \$38,000 or \$39,000 on this property, but could you sell it for that?" His answer was "I think I could get pretty close to that figure," to which I replied "Well see what you can do."

Within a reasonably short time he submitted an offer to me for \$38,500 net to the Company signed by a Mr. John A. Kent. This offer was in due course submitted to Mr. Palmer, the Right of Way Agent of the Canadian National Railways. Mr. Palmer later came to my office and pointed out, that owing to the possibility of a grade separation on Woodbine Avenue, the Canadian National Railways would have to be protected by inserting a clause in the offer exempting the Railway from damages. This new condition was submitted to the client of the Trust Company through Mr. E. B. Stockdale, General Manager of the Trusts and Guarantee Company, Limited, who met Mr. Palmer, in my office, at my request. The net result of this change was that the offer was reduced from \$38,500 to \$37,000 net to the Company.

The Trust Company merely acted as an agent in the transaction and had no investment interest whatever in it. On Friday last when I heard that this matter was being investigated by the Railway Committee of the House of Commons, I sent for Mr. Stockdale who volunteered to me the information that the Trust Company's client in this matter was his wife, Mrs. Ethel Stockdale. This was the first intimation I had that Mrs. Stockdale was the real purchaser behind Mr. Kent. This was later confirmed when I read the evidence brought out in this matter before the Railway Committee.

The plain fact of the matter is that the Trust Company did not receive a commission from the Canadian National Railways and hadn't then and hasn't now a dollar invested in the transaction. I am attaching to this statement a letter from Mr. James J. Warren, President of the Trusts and Guarantee Company, Limited, to that effect.

That the price finally secured, namely \$37,000 net to the Railway Company, was a fair and reasonable price would be indicated by the fact that Mr. Frank McLaughlin, one of the best known Real Estate Arbitrators and Valuers in the City of Toronto, came to my office on behalf of Mr. Grant and advised me very strongly to accept Mr. Grant's offer because he considered the price a most satisfactory one from the Railway Company's point of view. He explained to me that he, himself, had been prepared to put in a bid of \$30,000 for the property some time previously, but was told by Mr. Palmer, the Right of Way agent, that the Railway Company would not consider such a figure. In his judgment, however, he considered that \$30,000 was all the property was worth and not a cent more. I told Mr. McLaughlin that we had an offer considerably in excess of the one made by Mr. Grant. Mr. McLaughlin replied "I think I could get Grant up to \$37,000 if that would be satisfactory." to which I replied "I do not think so, because we have a much better offer even than that." The negotiations with Mr. McLaughlin ended there. Incidentally I may say, however, that the \$37,000 figure discussed by Mr. McLaughlin provided for a commission of $3\frac{1}{2}$ per cent, so that the Railway Company would get much less for it. Attached to this statement is a letter from Mr. McLaughlin.

There is another phase of this transaction which I think is worthy of consideration. The offer of \$37,000 net made on behalf of the Trust Company's client relieves the Railway Company of all liability in connection with any possible grade separation on Woodbine Avenue. The offer of \$36,300 submitted by Mr. Grant did not release the Railway Company from that liability. In so far as the Trust Company's client felt that that condition lessened the value of the property to the extent of \$1,500. I, therefore, think that instead of there being a difference of only \$2,000 between the price at which the property was finally sold and the offer submitted by Mr. Grant, the difference is in reality approximately \$3,500.

That is my statement, sir.

THE TRUSTS AND GUARANTEE COMPANY LIMITED,

TORONTO, 2, June 14th, 1926.

The CHAIRMAN OF THE RAILWAY COMMITTEE,
House of Commons,
Ottawa, Ontario.

DEAR SIR,—In reference to the controversy in regard to the sale of certain Railway property on Woodbine Avenue to Mr. Kent, I wish to inform this Committee that The Trusts and Guarantee Company never have been and are not now in any way interested in the purchase of the said property. The matter has never been considered by our Board of Directors, and, of course, not a dollar of the Company's money has been, directly or indirectly, put into the purchase.

So far as I am personally concerned (and I state this because my name has been confused in the Press with Mr. A. E. Warren, the General Manager of the Canadian National) I never heard of the transaction until the controversy arose after my return from England.

It is true, however, that the Real Estate Department of The Trusts and Guarantee Company filed a plan for the prospective owner, Mrs. Stockdale, with the City of Toronto, and are acting, or will act, for the sale of the subdivision only in the ordinary course of business.

Yours truly,

(Signed) JAMES J. WARREN.
President.

The CHAIRMAN: Do you desire to make any comments?

Mr. POWER: May I ask one question? Mr. McDougald, did you, at the time Mrs. Stockdale purchased this property, have any interest with her in the purchase?

Mr. McDUGALD: None whatsoever.

Mr. POWER: Do you have any hope or expectation or intention of obtaining any profit out of it?

Mr. McDUGALD: None whatsoever, at any time; never had and never will.

Mr. HARRIS: Will you tell us who are the other members of the syndicate besides Mrs. Stockdale.

Mr. McDUGALD: I do not know; it is none of my business.

Mr. HARRIS: I am just asking you the question, for our information. As I understand it, you sent this offer to Mr. Palmer?

Mr. McDUGALD: Quite so.

Mr. HARRIS: You say you do not know who are the other members of the syndicate.

Mr. McDUGALD: I have not the remotest idea. I was only interested in getting the best offer I could for the Railway Company, on the best possible terms; I had no other interest in the transaction whatever.

Mr. HARRIS: Did you intimate to Mr. Palmer, or Mr. McLaughlin, at any time that Mr. Grant should raise his price to \$37,000?

Mr. McDUGALD: I did not think it was at all essential.

Mr. HARRIS: You did not think it was essential that Mr. Grant should be given some opportunity to raise his price?

Mr. McDUGALD: If Mr. Grant had raised his price to \$37,000, he would still be considerably under the other figure, because his \$37,000 was subject to a commission of $3\frac{1}{2}$ per cent.

The CHAIRMAN: Was that clearly understood between you and Mr. McLaughlin?

Mr. McDUGALD: No doubt about it.

Mr. HARRIS: The real difference is the $3\frac{1}{2}$ per cent commission.

Mr. McDUGALD: The difference is the $3\frac{1}{2}$ per cent commission, plus the advantage the Railway Company got owing to their being relieved of any liability in regard to grade separation.

Mr. HARRIS: Do you remember being out to lunch with Mr. McLaughlin and telling him it was of no use to put in a tender below \$37,000?

Mr. McDUGALD: I have no recollection of telling that to Mr. McLaughlin at luncheon; I have a clear and distinct recollection of telling him that in my office.

Mr. HARRIS: That you had a much better figure?

Mr. McDUGALD: Yes.

Mr. HARRIS: You were considering other offers in regard to the purchase, and had got a higher figure.

Mr. McDUGALD: Quite so.

Mr. HARRIS: It is really a principle we are trying to get at. Do not you think it would have been better business to have advertised for tenders for the property?

Mr. McDUGALD: I cannot agree; we had already advertised for tenders, and got no results. It was the result of my enquiries that we got \$3,500 more for the property.

Mr. HARRIS: You say you got \$3,500 more for the property?

Mr. McDUGALD: Taking into consideration that the Railway Company was relieved of liability with regard to grade separation.

Sir HENRY THORNTON: May I intervene to make a statement to clear the situation? Mr. Harris has evidently been contending in respect of a principle.

Mr. HARRIS: Absolutely.

Sir HENRY THORNTON: The principle Mr. Harris has in mind is that the property should be put up for bid; if the bids are rejected, the highest bidder should be given an opportunity, before negotiations are completed, or perhaps simultaneously with other negotiations, to increase his bid, if he so desires. That is, I take it, the principle Mr. Harris has in mind.

Mr. HARRIS: Not necessarily. The point is, there should be equal treatment to all who are interested in the property.

Sir HENRY THORNTON: That is so. Mr. Grant should have had an opportunity to increase his bid, if he so desired, he being the highest bidder. The same principle should apply as in respect of a private syndicate. I want to make this point clear, because I think Mr. Harris and I have the same views. The point is that Mr. Grant should have been given the opportunity to increase his bid, if he so desired, he being the highest bidder.

Mr. HARRIS: Quite true as regards being the highest bidder.

Sir HENRY THORNTON: I understand, from what Mr. Warren has said, that Mr. Grant was given the opportunity. Insofar as the question of principle is concerned, I think it is a perfectly sound principle; one which should ordinarily be followed. I can conceive that possibly circumstances might arise with regard to the sale of some property, where that principle could not be applied. It is my understanding, from Mr. Warren, that Mr. Grant was given that opportunity.

Mr. WARREN: That is right.

Mr. HARRIS: The price was raised, by Mr. McLaughlin, to \$37,000, and the property was subsequently sold at a very much higher figure, and Mr. McLaughlin was discouraged from going any further.

Sir HENRY THORNTON: I would not say "discouraged", he was "coaxed" to make a higher offer. Naturally, we wanted to get the highest price we could. I think, if any one was selling a property of that sort, he would get from the purchaser the highest possible price that could be obtained. If Mr. Grant wanted to put in a higher figure, he would have to come up; and the more he came up, the better for us. As I see it, that is about the way the matter stands.

The CHAIRMAN: Mr. Harris, is your objection to the statement that there was a much higher offer that you regard it as a case there were not much higher offers?

Mr. HARRIS: That is one of the many objections.

Sir HENRY THORNTON: There may have been a little judicious dickering.

Mr. McDougald: Do you suggest it would have been proper for me to tell Mr. McLaughlin that the other offer was such-and-such, to get Mr. Grant to compete?

Mr. HARRIS: I have no suggestion to make to the Directors of the Canadian National Railways.

The CHAIRMAN: Is there any other question with regard to this matter?

Mr. HARRIS: The transaction was by tender; subsequently the price was raised to \$37,000, and the property was sold for \$37,000, less the commission, to the private syndicate, the unfortunate feature being that at least one member of the private syndicate happens to be the wife of the general manager of the company, of which one of our well-thought-of directors of the Canadian National Railways happens to be a director. That is unfortunate from the point of view of the Railway Company, I should say.

Sir HENRY THORNTON: Well, I don't know.

Mr. WARREN: There were no responses to our applications for the sale of this property; no response at all to our advertisement; then we turned to private sale. We could not re-advertise, because no tenders had been put in.

Mr. HARRIS: In the depositions the other day, mention was made of a tender of \$35,000, and \$36,000.

Mr. WARREN: No, the tenders had been closed three weeks; we did not get a tender. If I understand it, Mr. Walker wrote to the company to see what was going to happen.

Mr. BOYS: The evidence we had here was that there were tenders, but they were not satisfactory.

Mr. WARREN: No, there were no tenders as a result of the advertisement; there were tenders put in afterwards.

Mr. BOYS: I am speaking of the advertisement.

Mr. WARREN: There were no tenders on the advertisement.

Mr. BOYS: You are sure of that?

Mr. WARREN: Tenders by advertisement closed on February 26th, and the Walker tender was March 6th.

Mr. BOYS: I am just asking you if you are sure of that; I am not seeking an argument.

Mr. WARREN: Absolutely.

Mr. BOYS: I do not know if you are the right person to give the information; if not, we ought to have that some person here.

The CHAIRMAN: There were no tenders in response to the advertisement, but tenders were subsequently brought in, the highest of which was \$36,000, submitted by Mr. Grant.

Mr. BOYS: That seems strange. What activity led to the receipt of subsequent tenders?

Mr. WARREN: Mr. Walker put in one, that is all; after the tenders were closed.

Mr. BOYS: Was it one offer? The word "tenders" has been used; I imagine that indicates more than one?

Mr. WARREN: There were no tenders on the advertising.

Mr. HARRIS: We have passed that point; there were subsequent ones. I am trying to ascertain if it was a tender or tenders.

Mr. WARREN: There was a tender put in by—

Sir HENRY THORNTON: I think I might clear that up. When the date for the receipt of the tenders arrived there had been no tenders. Subsequent to that time, perhaps inspired by the advertisement, certain offers were made but it was after the time that the tenders were closed. I think I am right.

Mr. BOYS: I understand now that one tender was subsequently received. Am I right in that?

Mr. WARREN: In response to the advertisement.

Mr. BOYS: I have passed that stage.

Mr. WARREN: Afterwards, yes.

Mr. BOYS: One tender?

Mr. WARREN: Yes.

Mr. BOYS: Why was the word "tenders" used?

The CHAIRMAN: It was "offers" not "tenders."

Mr. BOYS: "Offers" then, it was not singular, it was plural?

Sir HENRY THORNTON: I think that was a slip of the tongue, or what might be called poetic license.

Mr. HARRIS: I would like to ask Mr. McDougald if, when he interested himself in this land sale on behalf of the Canadian National Railways, it was brought to his attention that the Parks Department of the city of Toronto were interested in acquiring this particular piece of property?

Mr. McDUGALD: Never heard of it.

Mr. HARRIS: That was not brought to your attention?

Mr. McDUGALD: Not to my attention.

Mr. HARRIS: Was any effort made at all to interest the city of Toronto?

Mr. McDUGALD: I am not aware of any; so far as we are concerned I knew of no effort.

Mr. HARRIS: It was brought to your attention. I specifically asked the Railway Company to advise me when this property was going under sale as the Parks Department of the city of Toronto were anxious to obtain it as a play-ground for the city.

Mr. POWER: I object to that; Mr. Harris has not shown that at any time he asked the Railway Company to advise him.

Mr. HARRIS: I put the letter on file.

Mr. POWER: The last letter on file with reference to this play-ground business is a letter from the city of Toronto saying that for the time being they would not consider it.

Mr. HARRIS: We will just satisfy the honourable member from Quebec with regard to that, Mr. Chairman. The honourable member from Quebec knows that this is a growing community, growing very fast, and we have to have play-grounds to take care of them.

The CHAIRMAN: Do you want to put in that letter, Mr. Harris?

Mr. HARRIS: I just wanted to satisfy the honourable member from Quebec, I did not want to clutter up the records.

The CHAIRMAN: Do you want that before the Committee?

Mr. HARRIS: Yes, sir. I am reading it into the record:

File B. 10707

11 LINSMORE CRESCENT,
TORONTO, Ont., November 23, 1923.

Mr. H. A. PALMER,
Right of Way Agent,
Canadian National Railways,
Union Station Bldg., City.

DEAR SIR,—With regard to the land owned by the Canadian National Railway northerly of the main line tracks and easterly of Woodbine Ave., in City of Toronto, please note that I have representations made to me from the Parks Department of this City asking if it is at all possible for the City of Toronto to buy this particular parcel of property or any reasonable portion of it.

They appreciate the necessity of a playground of some description in this district and the policy of the Department is to secure the property and then improve rather than go to any considerable expense and not having ownership.

Please advise the possibility of the Railway selling this parcel.

Yours very truly.

The CHAIRMAN: Who wrote that letter?

Mr. HARRIS: That was written by myself on November 23rd.

Mr. POWER: On November 23rd, Mr. Harris says, "Please advise the possibility of the railway selling this property." At the same time he makes some statement with regard to the city's necessity; there is nothing in that that the city actually took this matter up, that the city actually approached the Railway with a view to purchasing the land and that the city ever wanted to purchase it, except a letter to Mr. Harris in which they say do not want it.

The CHAIRMAN: Is there anything at all on record that the city of Toronto ever approached the Railway with regard to the purchase of this property?

Mr. HARRIS: Not necessarily.

The CHAIRMAN: I am asking that question of Mr. Warren?

Mr. WARREN: No, sir, not on record.

Mr. HARRIS: It is a herring across the trail. It is on record from me that I wanted to know when they purposed selling this property.

Mr. POWER: No such word as that; it says "advise as to the possibility."

Hon. Mr. DUNNING: Had you authority from the city of Toronto to deal with this piece of property?

Mr. HARRIS: I am not dealing with it at all. I have a communication from the city of Toronto saying they are definitely interested in this for a park site.

The CHAIRMAN: One would think that the city would make a direct approach to the Railway Company.

Mr. HARRIS: They would have done so if they had got to know about it.

Hon. Mr. DUNNING: Mr. McDougald, you mentioned in your statement some letters, one from Mr. Rapp, with respect to the valuation; I mean from Mr. Warren—not this Mr. Warren but the President of the Trusts and Guarantee Company—and one from Mr. McLaughlin. On the last occasion that the Committee sat statements were made and there is evidence as to what Mr. McLaughlin said and as to what Mr. Walker said to Mr. McLaughlin and as to what Mr. McLaughlin said to you. I would like you to read this letter from Mr. McLaughlin in order to clear up some points that have been referred to this morning.

Mr. McDUGALD: Mr. McLaughlin is the Real Estate Manager of the Chartered Trust and Executor Company, Toronto. This letter was written to me yesterday by Mr. McLaughlin.

CHARTERED TRUST AND EXECUTOR COMPANY

46 King Street West, Toronto, Canada.

JUNE 14th, 1926,

D. J. McDUGALD, Esq.,
302 Bay Street,
Toronto, Ont.

DEAR SIR: I have been absent from the City for a few days and on my return this morning my attention was called to an article in the Evening Telegram of June 11th in which my name was mentioned in connection with the sale of a property on Woodbine Ave., Toronto, owned by the Canadian National Railways.

In connection with this property, I beg to say that I interviewed you two or three times about it. I was acting for Mr. Grant who made an offer of \$36,300 for the property and I asked you if this offer would be accepted, or if not, if I could get it increased to \$37,000, if the Railway would take that. Your answer was that the Railway could secure more money than this for the property as they would have to pay the usual real estate commission of 3½ per cent on the sale price if they accepted Mr. Grant's offer. I dropped the negotiations here as Mr. Grant gave no intimation that he would pay more than \$37,000 and in fact never signed a written offer for more than \$36,300.

Yours very truly,

(Signed) FRANK McLAUGHLIN,
Manager,

Real Estate Department.

Sir HENRY DRAYTON: Mr. Harris, may I just call your attention to reply which was sent to your letter of November 23rd?

Mr. HARRIS: Yes; that was read into the record; and subsequent letter to him again in April, 1924.

Hon. Mr. DUNNING: We have got some parties here who were affected, but Mr. Walker does not appear to—

Mr. HARRIS: Mr. Chairman, it is unfortunate; I asked them to come here voluntarily. Mr. Walker, of course, you will realize, has many dealings with the Canadian National Railways and he does not want to embarrass his position as a realtor in the city of Toronto with regard to the Canadian National Railways and would rather be excused. Evidently he has not come here voluntarily.

Hon. Mr. DUNNING: Mr. Palmer, does Mr. Walker have many dealings with the Canadian National Railways?

Mr. PALMER: He is a specialist in industrial sites in Toronto and naturally he is working with the Railways, both the Canadian National and the C.P.R., in locating industries on the railway. He gets in touch with somebody who is going to establish an industry and then picks out a site that seems to suit them and then he carries on negotiations with the railway to see whether it is possible to serve them with private sidings, and things of that kind. In some cases, where the railways own property, he brings in an offer for the property.

Sir HENRY DRAYTON: You might say, Mr. Dunning, I mean as far as that is concerned, Mr. Walker can come here and say anything he likes.

The CHAIRMAN: As a matter of fact, anything Mr. McDougald has said this morning, it seems to me, is not in conflict with anything that is reported with regard to Mr. Walker.

Mr. HARRIS: It is quite in accord with what Mr. Grant stated here.

Hon. Mr. DUNNING: There is this difference. The statement was made that there was a difference of two per cent between Mr. Grant's offer and the price at which the property was subsequently sold. At the last sitting of the Committee some doubt was expressed as to whether commission was payable by the Railway Company out of Mr. Grant's final offer, which was \$36,300. We have now confirmation from another real estate man that Mr. Grant was dealing with him as well as with Mr. Walker, and confirmation also of the fact that the three and one-half per cent commission which presumably was to be split between these two real estate men was to be paid by the railway company, so that, as a fact, instead of the net difference being two per cent, it was five and one-half per cent, plus whatever consideration might exist with respect to grade separation.

Mr. HARRIS: I would just like to correct you for a moment; the two per cent was the difference between the \$37,000 and the \$36,300. You did not know, until Mr. Warren read into the evidence the letter from Mr. Walker, of the five per cent.

Hon. Mr. DUNNING: That is quite right; but it was there.

Mr. HARRIS: The two per cent was not commission at all.

Hon. Mr. DUNNING: But the difference between the value—

Mr. HARRIS: Now, it is deposed this morning that Grant concluded to increase his price to \$37,000.

The CHAIRMAN: There is this outstanding fact; the statement that the property was finally sold for about \$3,000 more than was offered by anyone else.

Mr. HARRIS: I would not say \$3,000, Mr. Chairman; I would say it is an outstanding fact that the property was sold for \$37,000, the same price as Mr. Grant offered, excepting that in one case the Trusts & Guarantee Company acted for their man free of all cost and charge, and in the other case Mr. Walker had to get a commission from the Canadian National Railway, which was three and one-half per cent.

The CHAIRMAN: Would you state how much that amounted to; how much would that be in money?

Mr. HARRIS: It is not necessary, anyone can figure it out.

The CHAIRMAN: It is more illuminating; it is more intelligible to everybody. How much would that be; the amount of the commission that was saved by selling to the final purchaser?

Mr. HARRIS: \$1,295.

The CHAIRMAN: And in addition to that you say there was something saved by way of relieving the railway company from any damages in connection with grade separation?

Mr. HARRIS: We have the offer here that the Minister read out the other day—only a different company—that if there was some difficulty with regard to grade separation, this agreement would become null and void.

The CHAIRMAN: That is the statement of Mr. McDougald anyway.

Mr. HARRIS: I do not see how he can figure how much that is going to be; it is just a matter of cancelling the contract.

Mr. McDOUGALD: The Trusts and Guarantee Company saw fit to reduce the offer from \$38,500 to \$37,000 as a result of having to embody that.

Hon. Mr. DUNNING: It is an important difference that Mr. Grant never did submit a written offer for any more than \$36,300.

Mr. HARRIS: No; as Mr. McDougald just deposed, he did through Mr. McLaughlin, he said he would go to \$37,000.

Mr. McDOUGALD: He said he thought he could get him up to \$37,000.

Hon. Mr. DUNNING: Less three and one-half per cent commission to Mr. McLaughlin and Mr. Walker.

Mr. JOHNSTON: Don't you think we know all the facts?

Mr. HARRIS: Let us get down to the principle. Can Sir Henry Thornton give to this Committee some idea as to the principle that underlies transactions of the sale of lands by the Canadian National Railway?

Sir HENRY THORNTON: The principle is this. In the event of any surplus land owned by the company being for sale, the property will be put up and bids will be asked for the property. If those bids are not satisfactory they will be rejected. The highest bidder will be given the opportunity, as he was in this case, to increase his bid if he so desired. That will be, and has been the principle under which the company sells. There may conceivably be cases here and there where it will be undesirable in the interest of the company to follow precisely that policy. These cases will probably not be many, but I should not like to bind the company to proceed with any policy, nor would any private company do so, if some other policy would bring a greater return.

Mr. HEAPS: Is it the custom in all these transactions, whatever part of the system they happen to be, to refer these tenders or offers you may receive to the director in that particular district?

Sir HENRY THORNTON: Not always, but often.

Mr. JELLIFF: Do you think that is the wisest plan?

Sir HENRY THORNTON: We generally seek the advice, necessarily, of the local offices and also it is desirable to get the advice of the local directors who, presumably, know something about the land values in that vicinity.

Mr. HEAPS: It might be advisable, in future land transactions, to allow the officers of the company in that area to complete the whole deal.

Sir HENRY THORNTON: That was done in this case.

Mr. HEAPS: I mean the officials, not the directors of the company, in that particular region.

Sir HENRY THORNTON: That was done in this case.

Mr. HEAPS: No, I think in this particular case he referred the deal to Mr. McDougald.

Sir HENRY THORNTON: He did, but when the smoke of battle cleared away and there emerged an offer, that offer was sent to headquarters in Montreal with the approval or disapproval, as the case may be—In this case it was the approval—of the local officers.

Mr. BOYS: Why was it sent to the local director, either in this case or in any other case?

Sir HENRY THORNTON: Well, presumably, the local director knows something about land values.

Mr. BOYS: That would not follow at all.

Sir HENRY THORNTON: Not invariably. In this case we felt Mr. McDougald did know something about land values in Toronto.

Mr. BOYS: Is that a fact? Had you any reason to believe Mr. McDougald would have any active knowledge of land values? Is he in the real estate business.

Sir HENRY THORNTON: He either had knowledge or could readily obtain that.

Mr. BOYS: I quite appreciate he could get it, but, of course, your own officers could get it. That is what I was just coming to. I was wondering if it was sent to him in this particular instance because he possessed any peculiar knowledge regarding land values.

Sir HENRY THORNTON: What happened in this case, as I think was already explained, was that when Mr. Hungerford got this offer he thought it was insufficient; he did not even bring it to me because his own knowledge told him—

Mr. BOYS: I was not after that point at all.

Sir HENRY THORNTON: I am coming to your point. Then he sent the proposal to Mr. Warren and asked him to see Mr. McDougald and find out what he thought about it.

Mr. BOYS: That is a further point. Why was that done?

Sir HENRY THORNTON: Well, presumably, Mr. McDougald was conversant; had some intelligence, some knowledge of the situation.

Mr. BOYS: I am not saying he had not; he may be a man with wonderful intelligence regarding his own business and none at all regarding land values.

Sir HENRY THORNTON: I am anxious to meet your point but I do not quite see it.

Mr. BOYS: I am asking why was it sent to Mr. McDougald? If it is a director's duty in the locality in which he resides to take charge of the sale of your lands, I can appreciate it, but I take it for granted it is not.

Sir HENRY THORNTON: It is not, Mr. Boys.

Mr. BOYS: Certainly not. I can understand, if Mr. McDougald was in the real estate business and familiar particularly with the locality in which this land was situated, you might ask his opinion, but I do not presume for a moment that that is the fact.

Sir HENRY THORNTON: He was connected with a company that dealt largely in real estate and I suppose it was in Mr. Hungerford's mind that he could readily and easily obtain such information.

Mr. BOYS: I cannot understand then why you wrote to him; I do not even see why you would write to him. I would think you would write to an officer of the company and ask him for the value of this land; I can appreciate that, but I cannot see why Mr. McDougald, as a Director of the C.N.R., is troubled with the sale of a bit of land.

The CHAIRMAN: We might just ask Mr. Hungerford and Mr. McDougald.

Mr. BOYS: I am quite ready to do that.

Mr. HUNGERFORD: I have already explained that before, it is in the record. It occurred to me that possibly this was not a fair price for the land and I considered that as Mr. McDougald was in the business—

Mr. BOYS: What business?

Mr. HUNGERFORD: I understand financial, real estate and things like that.

Mr. BOYS: A man in the financial business—what would he know about the value of land?

Mr. HUNGERFORD: It ought to be a matter of good judgment and knowledge of the locality.

Mr. Boys: I hate to hear you say that, I hate to think your business is being done on any such basis as that, and I do not believe it is. You do not mean to depose that you wrote to a man that has not any knowledge of real estate to ascertain the value of it?

Mr. HUNGERFORD: I am sure Mr. McDougald has knowledge.

Mr. Boys: I ask you what made you think he had; is he in the real estate business?

Mr. HUNGERFORD: I did not know directly.

Mr. Boys: If you did not know why did you think he would have knowledge?

Sir HENRY THORNTON: He is connected with a company that is dealing in that line and as a director must have had some knowledge of real estate.

Mr. Boys: I think that is the weakest point in the case. One other question. This Mrs. Stockdale, is this her first venture in land transactions?

Mr. McDUGALD: I have not the remotest idea; I do not happen to know Mrs. Stockdale.

Mr. Boys: Did you even take the trouble to ask your General Manager whether she was acting as trustee for him or not?

Mr. McDUGALD: That is surely none of my affair.

Mr. Boys: I did not ask you whether it was your affair or not; I asked you did you do it?

Mr. McDUGALD: I did not.

Mr. Boys: One would imagine that if the General Manager's wife was in a deal like this, a piece of land worth \$30,000 odd, there would be some little talk of it.

The CHAIRMAN: Are you through Mr. Boys?

Mr. Boys: They must use their imagination a little bit about these things.

Mr. HARRIS: I would like to ask Sir Henry Thornton: Do you think it is good business for one of the Directors of your Company to have to go to his own expense to find out the value of a piece of property for the Canadian National Railways?

Sir HENRY THORNTON: If he wants to I do not know of any reason why he should not, Mr. Harris.

Mr. HARRIS: Is it necessary for the Directors of the Railway Company to go to their own expense in these transactions?

Sir HENRY THORNTON: It is not necessary. If they want to I do not know of any reason why they should not. The Company is quite competent to pay for any advice which it gets on this or any other subject.

Mr. HARRIS: It would be far better, in your opinion, would it not, for your own officer to get this information without going to the director?

Sir HENRY THORNTON: I think this was handled in a reasonable, business-like way. After all, we have directors in business—

Mr. POWER: The directors should be asked to do something for their salary.

Sir HENRY THORNTON: We rely upon their advice, not only with respect to real estate matters but a number of other things. There was certainly no desire or effort on the part of the Company to unduly favour Mr. McDougald or any one else. I maintain that as far as the Company is concerned our efforts were entirely innocent.

Mr. Boys: Personally, I don't doubt that, but I cannot understand if you are going to go into this matter at all, why you would not say, "We have a bit of land; we have an offer for it; we do not think the offer is sufficient; have you any practical knowledge regarding the value of it; if so, what is it? If not, can you procure for us a valuator who is competent and reliable?"

Sir HENRY THORNTON: If we had the pleasure of numbering you amongst our directors, Mr. Boys, we would certainly write to you for information regarding things in your locality.

Mr. BOYS: You are unnecessarily and unduly flattering me.

Sir HENRY THORNTON: I congratulate you on your modesty.

Mr. BOYS: When it becomes the duty of this committee to investigate compliments, I intend to pay you a few. I cannot see, Mr. Chairman, why a director should be written to at all regarding a matter, unless he has some peculiar knowledge of it. I could understand, if you had a financial man, and a financial matter under consideration, why his opinion would be valuable, but not otherwise.

Mr. JOHNSTON: Are the officers of the Company in the real estate business any more than Mr. McDougald?

Mr. BOYS: No, but I should think, Mr. Johnston, that if they had a bit of land and did not know its value, they would want to consult somebody who did.

Mr. POWER: Would you not write to a friend in the locality for information?

Hon. Mr. DUNNING: Mr. BOYS, is it not proof that Mr. McDougald did know something about it, as the Railway got considerably more for the land?

Mr. HARRIS: Not "considerably", Mr. Minister.

Mr. BOYS: No, I think he said he secured a value from a valuator of his own company, who had to do with the investment of a large sum of money, and in my opinion if information is required regarding a certain matter, we should go to somebody who has a peculiar knowledge of that matter.

The CHAIRMAN: Mr. BOYS, is it not a perfectly natural thing to consult a director in all matters of local importance?

Mr. BOYS: I think I have made my point plain. If you want information and secure it from some one who has peculiar knowledge, that is quite in order, but if not, I cannot see why he should be troubled. Sir Henry (Thornton) has told us frankly that it is not the business of a director to bother his head about the sale of land; it is the business of the officials of the company—

The CHAIRMAN: He has to help ratify it later on; he is a party to the ratification.

Mr. BOYS: Yes, I presume valuations are laid before the Board, and the Board considers them, and they come to a conclusion as to whether or not the price suggested is a fair price.

Sir HENRY THORNTON: That is right.

The CHAIRMAN: In all matters that come before the Board itself,—if some transaction takes place in western Canada or central Canada, I should think that the procedure of the Board would be to rely somewhat on the valuations of men in that particular locality.

Mr. BOYS: It is not my duty or privilege to question you, Mr. Chairman, but what would you suggest should be done? Don't you think that the officials of the road, if they have a bit of land in Regina, if you will, for sale, could secure a reliable valuation of that property—

The CHAIRMAN: That is practically what was done here.

Mr. BOYS: I don't so understand it.

The CHAIRMAN: I think so. Mr. Hungerford consulted with Mr. McDougald, and he got the valuation.

Mr. BOYS: There is another point I wish to make. The C.N.R. has officers in Toronto, whose duty it is to attend to the business of this company. Would you not think that communication would be had with them?

Sir EUGENE Fiset: That is a point which has been forgotten. These offers were received by the officials of the Canadian National in Toronto; they were submitted to headquarters; Mr. Hungerford, the Vice-President, received these offers—

Mr. BOYS: He did not receive any offers at all.

Sir EUGENE Fiset: He did.

Mr. BOYS: One offer.

Sir EUGÈNE Fiset: That was the only offer that was made.

Sir HENRY THORNTON: You get requests for all kinds of information. I have in mind a Member of Parliament, who, incidentally, was of the Conservative faith—

Mr. POWER: That is not a faith, it is a heresy.

Sir HENRY THORNTON: —who wrote me about something I did not know anything at all about, and I had difficulty in getting the information, but I gave it to him as best I could.

Mr. BOYS: As far as I am concerned, while we are discussing this feature, I think this is a matter we are here to investigate, and it has been cleared up to the satisfaction of the committee, so far as the officers of the Canadian National Railway are concerned, in selling this property, after reasonable efforts, for a price which seems to me to be a satisfactory one. Some evidence has been given that the property is now being sold as a subdivision, at increased value. I have had a little—but only a little—experience in that, but I think I can safely say that this is hardly a fair criterion, because we know perfectly well that beyond the risks taken in matters of this kind, you cannot sell subdivision property for less than 25 per cent, so you have to add 25 per cent to the value of the land, and if you do not get that much you are not a successful dealer, and you always have the chance of not putting the deal over. So far as I am concerned, as a member of this committee, dealing with the officials of the Canadian National, I am satisfied that they did the best they could, and got the best results they could obtain.

Sir HENRY DRAYTON: Would Mr. McDougald tell us what it cost to get this information? What did the Trusts and Guarantee Company charge you for that valuation?

Mr. McDUGALD: One-tenth of one per cent.

Sir HENRY DRAYTON: How much was that?

Mr. McDUGALD: About \$38.00.

Sir HENRY DRAYTON: Did it go to the Company or the inspector?

Mr. McDUGALD: To the company.

The CHAIRMAN: Are you satisfied to close the discussion?

Sir HENRY DRAYTON: Yes.

Mr. HARRIS: We have not got very far on the principle, but I am satisfied.

The CHAIRMAN: I think you affirmed your side pretty well, Mr. Harris.

Sir HENRY THORNTON: As a matter of fact, I don't think Mr. Harris and I are very far apart on the general question.

The CHAIRMAN: Mr. Church, M.P., asked the other day for leave to address the committee. He is here to-day. Will someone move that he be heard?

Mr. HARRIS: I move that Mr. Church be heard.

Mr. POWER: I second the motion.

Motion agreed to.

Mr. CHURCH: Mr. Chairman, I wrote the committee last Thursday or Friday about appearing before this committee. I have nothing personal against the system, because I am a supporter of public ownership, but I see a lot of things in this system which should not be, if the road is to be operated at a profit. As this is the closing day of the committee, I do not wish to take up your time. Sir Henry (Thornton) told me last Friday that to-day was the closing day. I could not be here on Friday, but if you will give me ten or fifteen minutes to-day I can tell you what I have in mind.

The CHAIRMAN: This is not necessarily the closing day, Mr. Church. It may be, however.

Mr. CHURCH: I am not anxious to be heard by this committee. I would just as soon take my case up in the House.

The CHAIRMAN: The committee has agreed that you should be heard, Mr. Church. Go ahead.

Mr. CHURCH: Mr. Chairman, in the first place I want to start right, and begin at the beginning. You are losing business in the Toronto district to-day, and I will tell you why. The municipalities in the province of Ontario had an investment of \$262,000,000 in light, heat, power and transportation. When the government built the Grand Trunk Pacific they took \$23,000,000 in cash out of the old Grand Trunk in Ontario, and \$122,000,000 credit, and they invested that in the Grand Trunk Pacific out west. The old Grand Trunk in Ontario was a good railroad; it built the province up; it is in Ontario, where this system is making its money to-day; the dead ends are in other places. The railroad should work in harmony and unison with the municipalities of the province, and they are not doing it. We had a transportation scheme of our own in the province. The British railways to-day find it is in the long haul where the money is; it is not in the short or local haul. That is a dead end of the railway business the world over. We had a policy in Ontario to build 1,000 miles of radials, with the money of the Hydro-Electric of the province. We had an option on three railroads owned by this government, the Toronto Eastern, the Toronto Suburban, and the Niagara-St. Catharines, and Toronto Railway. These options were held for three years by the different municipalities; the by-laws were voted upon, and carried it over 112 municipalities. Why? Because they were not getting the transportation for the farm man and the city man from the steam railways, while the war was on. They made a success of their light, heat and power scheme, and on the same poles they were to carry trolley wires. There was a by-law to be voted upon in the city of Toronto, when, like a bolt from the blue, Sir Henry Thornton sent word that he was to build a radial himself. Now, I have nothing personal against Sir Henry Thornton or any member of the system, but I believe in the public interest this matter should be cleared up. What was the result of that action? The radial scheme of the province was destroyed. Radial electric roads are a success in the United States to-day—in Michigan, Ohio, and Indiana; they bring the country and the city man together; they lessen the cost of production, and they advance the crops to the market; they are not a luxury, but a necessity. Here you have a railway which is taking over these more or less dead ends. The Hydro-Electric were willing to electrify them, but to act how? As a feeder for the National Railway in this competition with the Canadian Pacific. This was a public municipality scheme of the province of Ontario, in which \$262,000,000 had been invested, but the policy of the gentlemen on the Canadian National Railway Board put this down—

Mr. HARRIS: Mr. Chairman, on a point of order: I would suggest to the hon. Member, in order to expedite the work of this committee, that he ask what questions he has in mind.

Mr. CHURCH: If I were to ask all the questions I have in mind, we would be here for the next three weeks. However, Mr. Chairman, I think I can conclude in about five minutes, with all I have to say.

Another matter, Mr. Chairman, is the question of cheap fares. The system is losing a lot of business in the Niagara district. I had a bill in Parliament about three years ago in regard to this very matter. To-day, you are losing the cream of the business in the Toronto district, the Hamilton district, and the Niagara district, as the result of the short-sighted policy of this railroad. Any other railway would put in cheap fares for conventions, or large gatherings. As the result of our efforts, since 1923, you have given half a loaf, but half a loaf is not enough. As the result of your short-sighted policy, the motor busses have come on to the Hamilton highway, and all through the Niagara district and they are getting all the business.

Further, it is discrimination against the Canadian cities and towns. I hold in my hand a sheaf of pamphlets from American cities quoting various rates of fares, from \$10 per head down, within a radius of 450 or 500 miles. " \$9.45 from Rochester and Buffalo ", and so on, and you are to-day charging, I think, \$16.70 for a single ticket, or \$23 return for the same distances. There is discrimination there. What is the result? You lose the business. Queen's University had to apply to the Railway Commission to secure a reduced rate for a football game in Ottawa. Canada is the only country in the world which has not furnished these cheap fares, as a matter of right. I may say that the American railways have put these rates into effect, and they have found it is the only way they can meet competition from the motor busses. We have not done it here as yet. I think you appointed a committee last fall to go into this question. On the American railways they have resumed putting into effect reduced fares for excursions, etc.; and running these excursion trains for parties, conventions, etc. They claim there is no doubt but what these have proven to be effective weapons against motor bus competition. I say you have lost a lot of business by lack of foresight on the part of the railway. I say there has been discrimination, unfair and unjust discrimination against Canadian cities and towns, and in favour of American cities and towns, as these sheets will show, *in the question of cheaper rates.*

The same thing applies to commutation tickets. There is discrimination there. Some get them and some do not.

There is another matter to which I wish to refer, Mr. Chairman, and that is the question of passes on the system. I wish to say that I do not object to Members of Parliament getting passes, if they require them. Personally, I have never had a trip pass, and have never asked for one. I do not object to the Members of Parliament seeing as much of this country as they like, but I do object to a system of passes that is weakening the confidence in public ownership of this system. I travel on the railways myself, and I use my pass. There have been many articles in the newspapers in the Toronto district about the abuse of this privilege. You cannot go to a race track without seeing this abused. I saw an article recently in regard to train 171, destined to a certain race track near the Toronto district, and about one-third of the passengers were travelling on passes. I say, further, that passes are being issued against the provisions laid down by the Railway Act. It is not enough for the Canadian National systems to say that they have to furnish the same passes as the Canadian Pacific. Why should they? The Canadian Pacific Railway is paying dividends, and the Canadian National is running behind about \$56,000,000 a year, and if we added on the interest charges of the debt advanced by the government, it would mean \$30,000,000 or \$35,000,000 per year for the fixed charges. I think this matter should be looked into by the railway. There was an abuse of the privilege in the United States, and the Interstate Commerce Commission took steps to stop it. The same thing applied on the British railways. If public ownership is to succeed, the railway should be run in a businesslike way.

I may say, further, Mr. Chairman, that there is no reason why the salaries of all the heads of Departments right down from the top should not be made public. It is in the public interest. The Hydro Electric found it in the public interest to do that. The estimates have to be given in the House here; we know the salary of the Governor General of Canada, of the Speaker of the Senate, and the Speaker of the House of Commons, and that of the gentleman at the head of this system. Why should we not know the rest? A gentleman named Gaston was brought here. I have nothing against the man personally; we know the salary of the head of the railway, why should we not know what he is getting? What is he brought here for? To look over securities? Could not this work have been done by a British subject here? Personally, I know

of a number of lawyers who could do this work, all residents of Canada, and they could do it well. Could not this work have been given to some returned soldier? There are any number of lawyers who went to the war. The soldiers are making good in agriculture, in law, in industry and in commerce, and in every business in Canada, except on the National Railways, where they do not seem to get the chance. I repeat, Mr. Chairman, there is nothing that Mr. Gaston is doing that could not be done by a Canadian, and there should be no objection to his salary or remuneration being made known. We should know if, previous to his going into this work, he was in the employ of any American railway, and what he was doing over there, and why he was brought here. I understand that, while he is a lawyer, he is not a practising lawyer, and has had no experience in finances or commercial law, and I do not see any reason why he should be brought in here when we have so many young lawyers in Canada, many of them returned men, skilled in finance or otherwise. Why should we have to go to the United States to get a man for this work. It is in the interest of public ownership that it should be known. I was told what the gentleman's salary is, by an official. I was sorry to hear it, because I think, with all due respect, an official could be had who understands real estate law, the hypothecation of title deeds, and financing, without going over there. The Canadian Pacific Railway Company does not man its staff that way; they employ Canadians.

The Hydro Electric project at Niagara Falls was built by Canadians. We have in Canada, men of sufficient ability, without going over there to bring those men here.

I may say, regarding the press, I am not surprised at a section of the press taking the attitude which they do. I think it is one of the most important matters before the Committee and something should be done to see what money is going to the press. I have a bill before Parliament to find out what advertisements are owned by the newspapers, and what advertisements are paid. Editorials should be marked "Advertisements". It is said that it is not in the public interest that this information should be given.

One of the greatest public ownership schemes, under the supervision of the late Sir Adam Beck, made their purchases in the open market, and the information was not confined to members of a committee.

I may further say, Mr. Chairman, there should be an independent audit by auditors appointed by parliament, for this work. There has been one audit system for the last twenty years. I do not believe the auditors we have to-day have the available time, nor the capacity, to go into such a gigantic work. For that reason, an auditor should be appointed who could do the work.

I may also say that the colonization department is on the wrong basis; it is an un-British, and un-Canadian policy. It should be co-ordinated with the immigration policy of the government. We are not to-day getting the immigration that Australia is getting. There are immigrants who come to Canada and then go to the United States. There are one hundred thousand soldiers in the United States who belong to this country. Why can not we bring back these men and give them a chance to work on the Canadian National Railways system? No wonder Australia is getting the cream of the business. Australia will be able to exceed the population of Canada, in view of their policy with regard to immigration. Have we no way of checking up, and co-ordinating these men? The High Commissioner's office in London, England, is not going about it in the right way to make headway. There is too much duplication.

I have asked for the production of the papers in regard to the property at the corner of King and Yonge Streets, Toronto, but can not get them. That agreement has been abrogated. There was a hurry-up order to vacate the premises at the corner of King and Yonge Streets. The Canadian National Railways spent a lot of money in removing the telegraph system from Wellington and Scott

Streets to King and Yonge Streets, which cost a large sum of money. Now they are trying to make a new deal by which they will pay, I understand, \$300,000 to \$400,000 for the ground floor. Across the road is the Dominion Bank Building, and the Royal Bank Building. There is sworn evidence before the Court of Revision that those properties are not making $3\frac{1}{2}$ per cent on the money invested. There is a large amount of floor space available down town in Toronto. It was stated that they were moving the headquarters in order to eliminate waste, and reduce expense; now they are going back to the corner of King and Yonge Streets. I have asked for the papers and can not get them.

Hon. Mr. DUNNING: You got all the papers there were.

Mr. CHURCH: I may say, to the hon. young Minister of Railways that we asked for the papers, and certain papers were brought into the House of last year.

Hon. Mr. DUNNING: They brought all there were.

Mr. CHURCH: The Toronto papers say that the Canadian National Railways are going to move back to the corner of King and Yonge Streets, and that the deal is off. Why all that waste of money, if the system is going behind like it is? It was advertised that the whole deal had been consummated and the Home Bank Building had been bought.

Hon. Mr. DUNNING: It has not been bought at all.

Mr. CHURCH: I am not referring to you at all, Mr. Minister; you are very lucky to have a C.P.R. hotel in your own town. The centre of gravity is now out in Saskatchewan. Let me state further—

Hon. Mr. DUNNING: Just a minute. There is nothing personal about this. We have not purchased the Home Bank property, not at any time.

Mr. CHURCH: Why move away before the deal is closed? Why did you vacate the property at the corner of King and Yonge Streets? That is what the public are thinking, and it is what the public who pay the bills are thinking. It would appear as if this Committee desired to give the officials of the Canadian National Railway gold watches, and illuminated addresses.

I asked for the production of the papers in regard to a certain contract between the Government of Michigan and the D. and R., over in Detroit. The right of way has been given up, and another right of way substituted, by a special session of the Michigan Legislature. The agreement was laid on the table; but this Parliament has never yet seen this agreement, and never will until this Parliament closes. That agreement has been signed, sealed, and delivered, and nobody can look at it. If that is the way they do in the United States, it is not the way we should do in Canada. Sir John Macdonald, and Sir Wilfrid Laurier would not have stood for it. Have we responsible government in Canada at all?

There should be a separate system of accountancy; the accountancy system is all wrong. One hundred and twenty-one corporations are linked up by Act of Parliament, known as the Canadian National Railways. On the other side of the Line, they have terminals and improved rolling stock. Why can not Canada get the same thing? The Vermont Road is running behind.

Another thing is, Mr. Chairman, that there is no reason for the Minister not taking the responsibility of the administration of the system, and of branch lines. I would refer to the Red Lake district. The proposal to build a branch line to that district has been before the Committee. The policy of the Canadian National Railways in regard to branch lines is a policy I can not understand. The Canadian Pacific Railway have built branch lines in accordance with the law of supply and demand; if the branch lines of the Canadian National Railways were built according to the law of supply and demand, we would have fewer branch lines, and dead ends, on that system.

I contend that commitments of the system should be ear-marked. The Hydro Electric Power Commission has spent large sums of money, and they

were ear-marked. This Committee is entitled to the details of these items, especially in view of the fact that it is proposed to spend \$200,000,000; \$71,000,000 for interest; \$40,000,000 paid to the investing public, and \$31,000,000 to the government. I may say, if there are to be any more capital commitments, they should be ear-marked. There would be less building of hotels, fewer sky-scrapers, and less money for the Detroit right of way. Why should the American public have improved terminals, and right of ways, when Canada can not get the same treatment?

I wish to say, Mr. Chairman, on behalf of the Province of Ontario—I can not speak on behalf of the Province of Ontario, but I want to refer to the way this system has used the Province of Ontario—I refer to lack of improvements in regard to stations and rolling stock. Is it any wonder that we are losing the cream of the business to the motor busses and motor trucks? No, there is not. Where the Canadian National Railways system is making money, is out of the old Grand Trunk system in Ontario. Yet they have refused to give to Ontario equipment which they have given to Vermont and Michigan.

About bond sales; bond sales, in my opinion, should be conducted upon an open door policy, and not given to one firm to handle this business. It has been found to be good business, by the Ontario Government, to sell bonds by public tender. In the Province of Ontario, tenders have been called for the purchase of bonds, and fifteen tenders received; the tenders being chiefly from New York, and Philadelphia; and a lower rate of interest was secured. The late Sir Adam Beck did the same thing in regard to his Hydro Electric system; instead of giving all the business to one broker, public tenders were secured.

I wish to say, Mr. Chairman, with regard to the expenses of the system, the Canadian Pacific Railway last year went behind \$14,000,000 in earnings; but they effected a saving of \$14,500,000 by economizing—and they were real economies, because it was necessary that they should pay dividends, and at the same time effect economies in the system. I say, Mr. Chairman, that the—

The CHAIRMAN: I do not want to interrupt you; I was just looking at the pile of papers you have before you.

Mr. CHURCH: I was just about through.

The CHAIRMAN: I was wondering if you would be long, thinking of the time at our disposal; whether we could make more progress with other work. I have no intention of stopping you, if you have something important. Will you be much longer?

Mr. CHURCH: Five or ten minutes. I do not care. I am through now. I am only giving you information about this system.

The CHAIRMAN: My idea was that you were going to ask for information.

Mr. CHURCH: I am disappointed with the support given to public ownership in this room. I am a strong supporter of public ownership in this country. I have only touched the fringe of this subject. I should like to say, as to the way in which the road has been administered that in my opinion, it is not administered from a commercial aspect. Take the elevators, and many other matters to which I might refer. I have just started. If you like I can take it up next session. I do not wish to detain the Committee. I hope we will see some improvement in the administration of the system. There is discrimination in favour of one locality as against another. No wonder they cannot carry coal at the rate of \$7 per ton, when they have so many frills and fads in the system, such as radio, golf clubs and courses, engaging in the real estate business, buying and selling all over the country.

I believe this Committee ought to be appointed in the early days of the session so there might be greater time to consider the matter from a commercial aspect. The officers of the road should invite criticism, instead of staying it off.

I should like to know what passes the press are getting in return for advertising, if the passes are being issued contrary to the Railway Act?

Sir HENRY DRAYTON: Will the president make a statement about the Detroit situation.

Hon. Mr. DUNNING: I hope the returns will be down to-day.

Mr. HEAPS: I think Sir Henry Thornton had better make a statement.

Sir HENRY THORNTON: In regard to the Detroit situation, Sir Henry, the situation is this: Amongst the other subsidiary properties of what are known as the Grand Trunk Western, is the Detroit, Grand Haven, and Milwaukee Railroad, which runs through Detroit, across the State of Michigan, to Grand Haven; from which point we operate ferries to Milwaukee. That affords us, as you can readily see, an advantageous route of traffic to the northwest part of the United States. And that traffic, passing over that road, does not congest in the Chicago district. It can be handled not only more expeditiously, but, likewise, cheaper. In the franchise of that company there is a clause which provides that the company shall pay a certain rate, in the form of taxes, to the State, which, as I recall the figure, amounts to about \$25,000 per annum. The State of Michigan has, for a long time, wanted the railway company, the Detroit, Grand Haven and Milwaukee, to bring itself within the taxation laws of the State of Michigan. It is the only railway which to-day enjoys that special privilege. Some years ago, I think, the Michigan Central had a somewhat similar provision in their charter, but after some litigation and disputes, they abandoned that advantage, feeling it was more in their interest to pay larger taxes—the usual taxes that are imposed by the State—thereby having the goodwill of the State authorities, and the shipping public, so, for some time, the State has been endeavouring to induce us to abandon that special privilege.

There was another clause in the charter of the Detroit, Grand Haven and Milwaukee Railroad which permitted the State, at any time, to purchase the railway on certain terms. I think those terms were the capital that had been actually invested in the company. In other words, the State could have confiscated that property had they desired to do so.

Sir HENRY DRAYTON: The word "confiscate" is hardly the proper term.

Sir HENRY THORNTON: Acquire.

Sir HENRY DRAYTON: Your point is, that the capital invested in that property would not adequately compensate you?

Sir HENRY THORNTON: Precisely. There was some legal complication, that is set forth in the memorandum, which the Minister states he will bring down this afternoon, whereby the State was unable to exercise that privilege, and there was a special session of the Legislature called, and an enactment was passed which put the State in a position to carry out that wish, should they so desire. There was another railway company, which we believed upon good authority, had indicated its willingness to immediately take that property off the hands of the State provided the State acquired it.

Sir HENRY DRAYTON: Would that be one of your competitors?

Sir HENRY THORNTON: Yes, it was one of our competitors, precisely. From your knowledge of the railway business you can make an accurate guess who it was. Our relations are quite friendly and I have no wish to store up unnecessary trouble. However, the fact remains that the State could acquire the property and it would not have been under the obligation of operating it. So much for the situation with respect to the Detroit, Grand Haven and Milwaukee.

Simultaneously with that there were developments in the other situation. The State of Michigan was anxious to provide a wide thoroughfare, two hundred feet wide, between Detroit and Pontiac to take care of the large vehicular traffic between these two cities, Pontiac being an important industrial centre where there are located a number of automobile works. The line of the Grand Trunk Western runs parallel—

Sir HENRY DRAYTON: You spent some money in Pontiac to get some switching in tracks, some little time ago? Are we not getting a large share of Pontiac business?

Sir HENRY THORNTON: We are getting all of it; and it is a very important and remunerative traffic.

Our road-way paralleled Woodward Avenue and it is quite impossible for the city to carry out these important improvements without coming to some arrangement with the Railway Company with respect to moving our tracks over. After protracted negotiations, much of which was verbal, and all of which were carried on by our General Manager at Detroit and the Governor of the State—

Sir HENRY DRAYTON: Who is that?

Sir HENRY THORNTON: Mr. Bowker. So finally the Governor made us this proposition: that the city would buy and acquire for the Railway Company a right-of-way one hundred feet wide from Detroit throughout the distance in which we paralleled Woodward Avenue, which was about eight miles; would move our tracks over, would install the necessary signalling, and, in other words, set us up as we were. They would take care of the grade separation as well. We would pay to the State of Michigan at the rate of \$200,000 per year until the capital cost of that improvement had been met. This was without interest; also providing that we would undertake, at the expiration of the liquidation of this cost of moving and the cost of the new right-of-way, to abandon the special clause which we had in the charter of the Detroit, Grand Haven and Milwaukee Railway, and bring that railway under the general taxation laws of the State of Michigan. The State also agreed to abandon on their part the possibility of ever acquiring the Grand Trunk or the Detroit, Grand Haven and Milwaukee Railway.

Now, as a matter of fact, the situation was simply this: We very much needed the additional right-of-way and the additional tracks between Detroit and Pontiac. Our officers were of the opinion, and I agreed with them, that within the next year we would probably have to abandon this special clause in our charter with respect to taxes anyway, which the Michigan Central had been obliged to abandon for traffic and reasons of strategy previously; that in abandoning that we were only abandoning something we would have to give up in any case. So we concluded, after mature consideration, that the proposal of the Governor was distinctly advantageous to the Canadian National Railway. We were getting important improvements at relatively small costs and giving it something which strategically we thought we would have to give up in any case.

I might say that our traffic people felt that we were losing considerable business on account of the feeling that was being stirred up in the State of Michigan on account of the Grand Trunk Western in its apparent blocking a very much needed matter. All of this is set forth in much detail, much more detail than I have given to to-day because there are a good many points about figures I cannot recall off-hand, but that represents briefly the arrangement which was come to with the State of Michigan and our reasons for doing so.

Mr. HEAPS: Just one point, I would like to mention, if you will permit. You say the new right-of-way will be one hundred feet?

Sir HENRY THORNTON: Yes.

Mr. HEAPS: What is the present right-of-way?

Sir HENRY THORNTON: I think it averages about twenty-four feet.

Mr. HEAPS: And for that you will be paying back \$200,000 per year?

Sir HENRY THORNTON: At the rate of \$200,000 per year until the entire improvements, the cost of the entire improvement has been liquidated.

Sir HENRY DRAYTON: Does that cover their charges for grade separation in the future?

Sir HENRY THORNTON: What was that?

Mr. HENRY: That is covered, I think you will find.

Sir HENRY DRAYTON: The cost of grade separation would be in that \$200,000 a year?

Sir HENRY THORNTON: I think so.

Sir HENRY DRAYTON: Then, you will always pay it.

Sir HENRY THORNTON: In other words, it would come down to this: it means paying taxes that we would be required to pay in any case, and we are nearly getting the rest of it for nothing.

Sir HENRY DRAYTON: Hardly that, Sir Henry, you have got to pay your taxes anyway, as I understand your arrangement.

Sir HENRY THORNTON: At the end of this period.

Sir HENRY DRAYTON: You have to pay them now, have you not?

Sir HENRY THORNTON: No.

Sir HENRY DRAYTON: You wait until you amortize the cost of the change?

Sir HENRY THORNTON: Exactly.

Mr. HEAPS: What is the expected cost of that change?

Sir HENRY THORNTON: I would rather, if you have no objection, that my statement should not be included in the record.

Sir HENRY DRAYTON: Well, I think there is nothing wrong with your statement; why don't you want it included?

Sir HENRY THORNTON: I do not mind, go ahead.

Sir HENRY DRAYTON: What do you think the cost to the Company will be of the new right-of-way?

Sir HENRY THORNTON: It would be about three million for the whole proposition.

Sir HENRY DRAYTON: That expense to the City will be added?

Sir HENRY THORNTON: Which we will have to amortize.

Sir HENRY DRAYTON: On this \$200,000 a year?

Sir HENRY THORNTON: Yes.

Sir HENRY DRAYTON: That does not include the cost of grade separations that may come along in the future? What is the length of that right-of-way?

Sir HENRY THORNTON: Eight miles.

Hon. Mr. DUNNING: That is fifteen years before they start paying taxes, Sir Henry, apart from grade separations?

Sir HENRY THORNTON: We figured in the course of a couple of years we would be forced to pay these taxes anyway.

Sir HENRY DRAYTON: There was another thing Mr. Church brought up, and that is the question of local lines. Sir Henry, don't you think the municipality should be allowed to have the lines that you are scrapping; don't you think so yourself?

Sir HENRY THORNTON: Subject to reflection, I should say yes.

Sir HENRY DRAYTON: Take for example, that Woodbridge line, in the County of York, just as an illustration. You are losing money running it. You are going to stop doing it and you are going to tear up the rails. The value of the rails as scrap is very little. Why not let the municipality take hold of it?

Sir HENRY THORNTON: I have no objection.

Sir HENRY DRAYTON: There was some talk of them buying it. They are valueless to you.

Mr. RUEL: I might add just there, in answer Sir Henry Drayton; we have stopped dismantling the road in order that the West Woodbridge line may be taken over by the municipality if they so desire it.

Sir HENRY THORNTON: We are quite willing. I think that is a very good suggestion.

Sir HENRY DRAYTON: I think they should be allowed to take it and not be charged a cent.

Mr. CHURCH: If you would pardon me? By allowing the municipalities to take them they would have their own local schemes and these schemes would have been built by the municipality and financed by them and would act as a feeder to your system and you would not be losing money there in the long haul.

Sir HENRY THORNTON: There may be some consideration in respect to the bondholders or trustees.

Sir HENRY DRAYTON: The Minister will want some money, I suppose, for it, but I would like him to think of this as a matter of ordinary fairness. This road is a public utility, run for the public. I recognize that there are circumstances under which even this road would feel it is throwing away too much money, but as that road is being run for the public and if it finds the obligations under which it serves the public are too great, surely for the sake of a few hundred dollars' worth of old rails the system ought not to try to sell them but is getting off very well if they can get some other public body to take over that public duty which they are unable to perform.

Hon. Mr. DUNNING: You appreciate, Sir Henry, the bondholders right of action in regard to the matter?

Sir HENRY DRAYTON: Why should the bondholders' claim be put on the municipality?

Hon. Mr. DUNNING: The bondholders in connection with some of these old corporations have most peculiar rights. Each situation, as I think you know, Sir Henry, requires to be viewed by itself; they are subject to that consideration. I say, you are quite right, but I do not know how much weight to attach to that particular situation without studying the particular form of security which the bondholders have in that case.

Sir HENRY THORNTON: The answer would be; in principle that is all right.

The CHAIRMAN: Sir Henry, is it your suggestion these roads should be handed over without charge to the municipality?

Sir HENRY DRAYTON: Yes, for this reason: We are handling these roads in the discharge of a public service, pure and simple.

Hon. Mr. DUNNING: And losing money in doing so.

Sir HENRY DRAYTON: We find, apart from all our capital demands, we are losing so much money in the service itself we cannot go on; that is the only justification the System could have for abandonment. My point is that if the municipalities will go on and take the necessary loss in the service itself that is all they should be asked to take; your investment is gone.

Sir HENRY THORNTON: I suppose, probably, if we do that we will be criticized for giving something away.

Sir HENRY DRAYTON: I do not think it amounts to anything of any great value.

The CHAIRMAN: Should not the railway receive at least the salvage value of what is abandoned?

Sir HENRY DRAYTON: I would not think so.

Sir HENRY THORNTON: That is a matter for negotiation.

Sir HENRY DRAYTON: I would not think so, frankly. We had it up in the House the other day. Somebody was making a complaint about some private railway pulling up rails. They said there is an obligation that goes with railways. Well now, surely, the Government Railway ought to be the last one not to recognize the obligation to operate in connection with public demands.

The CHAIRMAN: Then you are putting it on a different basis.

Sir HENRY DRAYTON: Wait a minute--and that if they can get somebody else to maintain that service and take over that service which is costing them a whole lot of money, they ought not to ask that somebody, in addition to absorbing the loss in the service itself, to look after the lost investment of the railway.

Sir HENRY THORNTON: In other words, from a business point of view, your policy is that there is no objection to giving away a deficit?

Sir HENRY DRAYTON: That is all it comes down to.

The CHAIRMAN: That does not seem to me sound in principle; that is of some value to one particular section of the country.

Sir HENRY DRAYTON: There is one particular thing you must think of there, and that is, at one time they were very keen to get this and pay for it.

The CHAIRMAN: Well, it is worth something to the municipality to get it, is it not, Sir Henry?

Sir HENRY DRAYTON: No. The municipality will make absolutely nothing out of it; all they are doing is giving a service to their people.

The CHAIRMAN: Exactly; to that particular people.

Sir HENRY DRAYTON: And I doubt very much if they will even be able to get the operating expenses. I am quite sure there will be a deficit anyway.

Sir HENRY THORNTON: We have got that very thought in mind now.

The CHAIRMAN: Any further questions on that point?

Sir HENRY DRAYTON: How is the old Toronto Eastern getting along?

Mr. HENRY: There is nothing being done with that.

Mr. CHURCH: There are four railways running down there, right from Leaside; railways running this way, the C.P.R., the old National road of MacKenzie's, the Grand Trunk and now the Toronto Eastern. You gave the right-of-way up and you are building a new one there in another place. What has become of all that money that has been spent on surface down there? There is not enough business for one road. If you members would go up and see it you would see it is a most appalling waste of money.

Sir HENRY DRAYTON: What is the position there, Mr. Henry?

Mr. HENRY: Nothing has been done with the Toronto Eastern for three or four years at all; the right-of-way that is in there was purchased years ago.

The CHAIRMAN: There is no money being expended there now?

Mr. HENRY: No money being expended there now.

Mr. CHURCH: What are you going to do with the right-of-way in the meantime?

Mr. JELLIFF: May I ask how we are making out generally with our electric lines? We have one hundred and eighty-seven and a fraction miles; being on page 42 of our report.

Mr. HENRY: The electric lines consist of the Montreal and Southern Counties—

Mr. POWER: Whilst you are looking up this question, I would like to ask a question based on some reports I have seen in the papers recently, to the effect that the Canadian National Railway at the recent conference of Premiers, gave a subsidy, or made some arrangement which looks like a subsidy, with a number of the Provinces, particularly with the Maritime Provinces. I would like to know how this came about and what is the amount of the subsidy or award or arrangement, and why it was entered into?

Sir HENRY THORNTON: I daresay that Major Power refers to the recent settlement which was made with respect to the long standing dispute in regard to taxes. We have had interviews with the Premiers of the different Provinces which commenced, I think, certainly last year, and maybe before that, with a view to reaching some understanding. Recently there was a conference of the Provincial Premiers in Ottawa and an arrangement was come to for the settle-

ment of this question of taxation which was in dispute. The question is one which has engaged the attention of the Government and ourselves for, I think, the last three years and has been progressing step by step and this is the final settlement.

Mr. POWER: What is the nature of the settlement?

Sir HENRY THORNTON: Mr. Ruel, you know more about that tax situation than any one else. Perhaps you would be so good as to answer in detail Major Power's question.

Mr. RUEL: The matter came up several years ago arising out of the view that the Government railways, being really the Government going into commercial business, should pay taxes on the right of way just the same as the C.P.R. Of course, the Canadian National Railways consist of two kinds of railways; railways which are owned by the Crown outright, such as the Inter-colonial, and railways which are owned by means of a company. All company railways, of course, pay taxes. The Government railways do not; the British North America Act stands in the way and says the Provinces cannot tax the Dominion and ordinarily they cannot tax the Dominion railways any more than they can tax the post office. So it seemed to us unfair that merely because one part of the system was operated as a Government railway and another part was operated as a company owned railway, the Government being behind both forms of operation, the Provinces, particularly Nova Scotia, New Brunswick and Prince Edward Island should not get some fair share of the taxation.

Mr. POWER: Just there, may I interrupt you a moment? Why do you particularize Nova Scotia, New Brunswick and Prince Edward Island? Why not the others?

Mr. RUEL: There were no company operated lines in those three provinces, excepting the Halifax and South Western, which is a little line built by MacKenzie and Mann.

Mr. POWER: You are distinguishing between the company owned line in the system, and the government owned line?

Mr. RUEL: That is right. In Prince Edward Island there was not a mile of company owned line of any kind, and consequently, those three provinces never got any benefit at all from provincial taxation. The matter was put up to the then Minister, the Right Honourable George Graham, some three years ago, and he agreed with the general principle that some endeavour should be made to meet the wishes of the Maritime Provinces and give them something in return by way of provincial taxes. Consequently, a couple of years ago, I personally saw both Premiers Armstrong and Veniot, and told them I was authorized by the government to make a proposition to them, that we would pay taxes on the basis of \$100 per mile for main line, and \$50 per mile for branch lines. I had an additional principle in view, which I tried to put through, but I could not do it. It was that I thought all the provinces, in respect to provincial taxation, should tax upon the same basis; that is, British Columbia, Saskatchewan, Alberta, Manitoba, Ontario, and Quebec—

The CHAIRMAN: Do not those taxes go to the municipality rather than the province?

Mr. RUEL: There are two ways of doing that. Some provinces have municipal taxes, and others have not. Manitoba, for instance, has no municipal taxes, nor have the Maritime Provinces. Quebec, Ontario, Saskatchewan and British Columbia, and I think perhaps Alberta, have; Manitoba has not.

Hon. Mr. DUNNING: The C.P.R. tax exemption in the west has always complicated the situation for the Canadian National, has it not?

Mr. RUEL: Yes.

Mr. POWER: Do I gather from what you say that you wished to induce all the provinces to act on the same basis of taxation? That is to say, to tax the Canadian National Railway irrespective of whether it was company owned or government owned, on a basis of, say, \$50 per mile?

Mr. RUEL: We wanted to get them all on the same basis, but we could not get the Premiers to agree to that. I saw it was hopeless, and I gave up the idea. They had had their own methods of taxation for so long—in British Columbia I think there had been no change for fifteen years—that they could not see why we should not pay the same taxes as the C.P.R. were paying. There was no argument about it. I said we wanted to control the provincial taxation. We could always appeal from taxation by virtue of the various appeal clauses, but we could not control the provinces themselves. They could keep adding, and adding, and adding, year by year, until we were taxed out of existence. We told them we were paying, roughly, \$3,750,000 per annum, and we were agreeable to putting that up to \$4,000,000, an advance of about \$250,000. They said the provincial taxation was not increasing in value in Canada. We said "All right". The Maritime Provinces said "All right, we will agree to that, but if they are increased, we will come back and talk it over again". We put that into effect, and there is a limit on provincial taxation now.

Now, we asked them what they proposed to do about this \$250,000. Premier Ferguson, I think it was, suggested we should give it to the Maritime Provinces and let them divide it up amongst themselves, and the others would not share in it. We said "all right," and finally Premier Rhodes and Premier Baxter got together, and suggested that it would not be fair to divide it exactly on a mileage basis, as Prince Edward Island would not get a proper share; they would only get \$27,000. They finally agreed that they would give Prince Edward Island \$40,000 and divide up the balance between them. We told them we did not care how it was divided, and that was all there was to it.

Mr. POWER: Were these negotiations carried on with the approval of the Minister and of the government?

Mr. RUEL: I think I told them that the negotiations were subject to the approval of Major Bell in the morning, and the matter was submitted to him.

Mr. BELL (Deputy Minister): It was understood it had to be submitted for the approval of the board of directors, and then had to go to the Minister for signature.

Sir HENRY THORNTON: What Mr. Ruel means to imply is that we were working, naturally, in collaboration with the government.

Mr. POWER: You say that no arrangement was made with the government, except with the knowledge of the Minister of Railways?

Mr. BELL (Deputy Minister): The government and the railway were working together.

Sir EUGENE Fiset: It all had to be confirmed by Order in Council.

Hon. Mr. DUNNING: Necessarily, a definite limit had to be placed upon the negotiations, and only within this limit could these negotiations go. The limit has been mentioned by Mr. Ruel.

Mr. POWER: This arrangement could not have been arrived at without the consent of the other provinces, and the other provinces waived their rights to increase taxation for a certain period of years?

Mr. RUEL: I think five years was the limit.

Mr. POWER: In consideration of your giving \$250,000 to the Maritime Provinces?

Mr. BELL (Deputy Minister): Not quite that, Mr. Power.

Mr. RUEL: Pretty nearly that.

Mr. BELL (Deputy Minister): In some of the provinces, they thought the taxes were too high, and they wanted them reduced, but there was a chance of their being further increased as time went on, and we wanted some amount which

we knew would be fixed for a period of years. While this does not quite balance, we thought on the whole it was a very good arrangement, and everybody was satisfied.

Sir HENRY DRAYTON: What is the mileage in the Maritime Provinces?

Mr. RUEL: I am not very certain; perhaps Mr. Henry could answer that.

Mr. HENRY: I cannot answer that offhand.

Mr. BELL (Deputy Minister): I think it was figured on the basis of between \$90 and \$100 per mile, sir Henry (Drayton). That is, paying no attention to branch or main lines; just the entire mileage.

Mr. POWER: I do not want to appear to be selfish in any way, but a large portion of the government line, the old I.C.R., runs through the province of Quebec.

Mr. BELL (Deputy Minister): That was all taken into consideration.

Mr. POWER: And Quebec waived its rights of taxation?

Mr. BELL (Deputy Minister): This, as compared with the other provinces, that we had been paying, was comparatively high.

The CHAIRMAN: Now, Mr. Henry, after this digression, are you prepared to answer Mr. Jelliff's question?

Mr. HENRY: Yes. The Montreal and Southern Counties Railway had a net from operations of \$107,087; a net profit from operations—and a net income loss of \$19,344, as compared with \$39,449 the previous year. The corresponding net from operations was \$69,391.

The Oshawa Railway had a net from operations, in 1925, of \$141,015, as compared with \$107,328 the previous year, and a net income profit of \$151,777, in 1925, as compared with an income profit of \$137,057 in 1924.

The Toronto Suburban Railway had a net loss from operations in 1925 of \$111,435, as compared with \$104,706 in 1924, and an income loss of \$228,919 in 1925, as compared with an income loss of \$224,036 in 1924.

The Niagara, St. Catharines and Toronto Railway had a net revenue from operations in 1925 of \$419,593, as compared with \$99,085 in 1924; a net income profit for the year 1925 of \$46,842, as compared with \$32,792 in 1924.

Mr. JELLIFF: Is that all of them?

Mr. HENRY: That is all of them, yes. The Toronto Eastern is not operating.

Mr. JELLIFF: The suggestion is made here with reference to turning over certain lines in the city of Toronto, to the city, and I wanted to ask, for the reason of ascertaining generally what the results of these operations were, whether, even in the event of loss on one of these units, the advantages possibly would be reflected in the fact that it was a feeder of the company in general.

Sir HENRY THORNTON: The principal loser is the Toronto Suburban. To part with that, I do not think would affect our general business.

Sir HENRY DRAYTON: You have your line so close to it.

The CHAIRMAN: Yes, it parallels it nearly all the way.

Sir HENRY DRAYTON: It is merely a service proposition to the people.

The CHAIRMAN: Gentlemen, I think it is about time we adjourned. Sir Henry Thornton desires to make a brief statement with regard to Mr. Church's remarks. Perhaps we had better leave that until to-morrow.

Mr. HEAPS: I think it is only fair that Sir Henry Thornton should have the same opportunity, at the same meeting, as Mr. Church had.

The CHAIRMAN: I thought he might find it easier if he read the report, and knew what was said.

Sir HENRY THORNTON: I think I have it pretty well in my mind.

Sir HENRY DRAYTON: How about this afternoon?

The CHAIRMAN: It is at the pleasure of the committee.

Sir HENRY THORNTON: I think, to follow the example of Mr. Church, if you would give me five minutes, I might possibly say all I have to now, and be done with it.

The CHAIRMAN: Is it the wish of the committee to hear Sir Henry (Thornton) now?

Several MEMBERS: Carried.

The CHAIRMAN: Very well; proceed, Sir Henry (Thornton).

Sir HENRY THORNTON: I probably will not be able to answer Mr. Church in the same detail as he mentioned these things, but I shall endeavour to run over his points briefly, and explain them.

In the first place, as far as harmony with the city of Toronto and municipalities of Ontario are concerned: that was a general statement made by Mr. Church. I will answer that in a general way by saying that we are endeavouring to work in harmony with the various cities in Ontario, and I think there are harmonious relations existing between the company and the different cities.

Regarding the telegram which Mr. Church referred to, relating to the radial controversy, which, I think, developed about January 1, 1923: I can only say in that connection that I did send a telegram to the then Premier of Ontario saying that the Radial Company could do as it liked, but we would take such steps as we felt necessary to protect our business, and if it involved, as one consideration, the development of further facilities on our part, those facilities would be provided.

Mr. Church referred to the large amount of business we were losing in the Niagara peninsula. The statement which Mr. Henry has just read, I think, is illuminating, and shows that the railways in the peninsula are showing increasing growth and increasing profits, so it is very obvious, from an examination of the figures, that we are not losing business there, and that the electric lines serving that part of Ontario are doing very well.

He referred to the cheap fare which existed on English railways as compared with the fares which our tariffs announce here. In the matter of cheap fares and passenger rates, it is totally impossible to compare the railways of Canada or the United States, with England. The railways of England conduct their passenger service at a profit—at a very considerable profit—because the United Kingdom is compact, and there are more people living within a definite radii, and secondly, with that large amount of business available to the railways, the cheap fares can be put in at a profit. Further, the accommodations which the English railways furnish are not as satisfactory or as adequate, nor as luxurious, as the passenger accommodations which are provided on this side of the Atlantic.

The CHAIRMAN: As a matter of fact, do you not lose money on passenger traffic?

Sir HENRY THORNTON: We do. I think that is recognized.

Sir HENRY DRAYTON: What is that percentage, Sir Henry (Thornton)? That is really interesting. What do you figure the percentage of loss is on passenger business?

Sir HENRY THORNTON: I think we have a statement on that.

Sir HENRY DRAYTON: Well, we will not delay your explanation now.

Sir HENRY THORNTON: We can file that to-morrow.

Now, with respect to the employment of returned soldiers. We give every advantage to returned soldiers. The policy of the Board, and of myself, is that men who went overseas and placed their lives in jeopardy, and patriotically served their country, are entitled to every consideration on their return. For example, those of our employees who went overseas maintained their continuing record during the time they were away; that is to say, their term of service overseas did not affect their seniority or pension record, but it remained the

same as if they had continued in our employment. Every consideration has been given to returned soldiers. Speaking personally, nothing appeals to me more strongly than the desirability of caring for those, so far as we can, who served their country in the late war. ~

Sir EUGENE Fiset: Have general instructions been given to your administrators in the different sections or divisions, to that effect?

Sir HENRY THORNTON: Those are the regulations of the company, and such regulations have been communicated to divisional and regional officers.

Sir EUGENE Fiset: Even to your sub-staff?

Sir HENRY THORNTON: Yes. Now, in respect to the employment of Mr. Gaston: I can only say that an examination of our financial structure was one that required greater knowledge than that possessed by an ordinary law clerk. This company has, if I remember rightly, about 150 mortgages on its properties. These mortgages vary in character and vary in seniority. Sometimes a mortgage will be a first lien on the property for a certain mileage, and then becomes a second or third lien. In some cases the junior securities have been guaranteed by the provinces; in some cases by the government, which involved the necessity of the government or the railway itself protecting a senior security, in order to protect its interest in a junior security. The examining and cataloguing of these mortgages was extremely arduous and difficult work, and one which could only be carried on by some one familiar with that particular kind of business. I assume entire personal responsibility for the employment of Mr. Gaston, because whatever report is made, or whatever recommendation is made, with respect to revising the financial structure of this company, is something for which I must assume full responsibility, and I feel that I was quite justified in employing a man in whom I had confidence.

Sir HENRY DRAYTON: Just at that point, Sir Henry (Thornton)—let us clear that up one way or the other. I do not know a thing about it. I am told that Mr. Gaston was connected with an American Merchant Marine Insurance Company, of New York, which went into the hands of a receiver, and the Canadian National Railway had to compromise its claim at fifty cents on the dollar.

Sir EUGENE Fiset: That shows he was a good man.

Sir HENRY DRAYTON: No. We want more than fifty cents on a dollar. From the same source of information I learned that Mr. Gaston also had connected with him a Mr. Keeson, and a Mr. Hummell, and the query was why, in addition to losing fifty cents on the dollar, we should take over three employees of this Merchant Marine Company?

Sir HENRY THORNTON: Mr. Gaston is employed temporarily with this company; he is not an officer; he is employed to perform certain work only.

Sir HENRY DRAYTON: Was there an American Merchant Marine Insurance Company with which he was connected, and in which we had a loss?

Sir HENRY THORNTON: I don't know; I will find that out and let you know. I might say that Mr. Gaston has the confidence of Mr. Reginald McKenna, Mr. Peacock, and Sir George May, the President of the Prudential Insurance Company, and also that of a number of American and Canadian banks.

In so far as advertising is concerned, I do not quite remember what Mr. Church did say about advertising.

Sir HENRY DRAYTON: Mr. Church said they were giving too many passes to the newspapers.

Sir HENRY THORNTON: That was gone over last year, and fully explained to the sub-committee of this Committee this year. Our contracts are the same as all other railway companies, on the North American Continent, in that respect.

Sir EUGENE Fiset: I think it would be interesting to the Committee if you would say what passes are issued to newspaper staffs; and how it checks against the amount of advertising you are given.

Sir HENRY THORNTON: We exchange transportation for advertising. That was gone over pretty searchingly last year; the list is practically the same this year as last year.

Mr. ROBICHAUD: Were these passes issued all on the same basis?

Sir HENRY THORNTON: No, the regulations are laid down by the Board of Railway Commissioners; we are required to report the particulars of every annual pass issued, and it must receive the approval or disapproval of the Board of Railway Commissioners, as the case may be. That Commission sends their inspectors to our offices to examine the stubs of passes issued. The practice on the Canadian National Railway is precisely the same as every other railway in that respect, and, so far as we know, there is no violation of the law.

The CHAIRMAN: How is the amount of transportation, or the number of passes, kept track of, as far as advertising is concerned?

Sir HENRY THORNTON: Certain advertising is recognized as having a certain value, and the newspaper receives transportation in accordance with that value.

Sir EUGENE Fiset: It is based on the value of the ticket.

The CHAIRMAN: It is an exchange of values.

Sir HENRY THORNTON: Like the farmer who takes a crate of eggs to town, and exchanges them for a suit of overalls.

Mr. HEAPS: I think the C.P.R. pay for their advertising in cash.

Sir HENRY THORNTON: What I have stated is the practice, so far as I know, on the North American continent.

Mr. DALRYMPLE: Not in the United States.

Sir HENRY THORNTON: We are making every effort to secure immigrants for Canada, and to give them the preference.

In regard to the sky-scrapers in Toronto: it is in the hands of the Minister. As I understand it, we have not bought the Home Bank property, and have not committed ourselves to anything. I do not know what Mr. Church means with regard to the Red Lake district. We are watching that development, and should circumstances justify the providing of transportation service, we will do so.

Mr. Church complained that we were spending an insufficient amount of money in Toronto. We are now engaged in spending several millions of dollars in connection with the viaduct. It is hoped that the railway station will be in service next year. What he said in regard to passenger equipment, is without foundation, because the passenger equipment has been kept up to date as far as Ontario is concerned; we are supplying Ontario with equipment from time to time as traffic may require, as well as any other section of the country.

In regard to the sale of bonds, ordinarily the railway companies have found it is better to deal with one company. I think, if Sir Henry Drayton were here, he would endorse that policy. We have marketed our securities on advantageous terms in the last three years.

Mr. Church quoted the Toronto Telegram, which, of course, speaks in an entirely unprejudiced fashion on the subject of the Canadian National Railways. I repeat that our policy in the past has been precisely the same as that of any other railway company in Canada, in regard to the issuing of passes; that has been strictly administered in accordance with the law. If Members of this House would prefer to give up their privileges in regard to passes, or instead of communicating with the Minister of Railways and Canals when they want a pass, they would write to the headquarters of the Canadian National Railways at Montreal, it might perhaps tend to reduce the number of requests.

Hon. Mr. DUNNING: I would welcome such a recommendation, if the Committee sees fit to recommend it.

Sir HENRY THORNTON: There has been a great deal of talk in the past three years as to the issuing of passes on the Canadian National Railways. All passes are issued subject to the provisions of the Board of Railway Commissioners.

Mr. HARRIS: There is just one other question with regard to the premises at the corner of King and Yonge streets.

Sir HENRY THORNTON: What was the question?

Mr. HARRIS: Mr. Church made some statement with regard to their moving out from the premises at the corner of King and Yonge Streets, in contemplation of a skyscraper being built there by some company, and now one of the newspapers in Toronto states that you are moving back into the same premises. Tell us what happened.

Sir HENRY THORNTON: We have not definitely decided. There were negotiations. It was proposed to purchase some premises, the Home Bank building, and erect on that site—on the site of our property—a skyscraper.

Mr. HARRIS: They proposed to purchase your property too?

Sir HENRY THORNTON: Yes, and other property. We were to rent quarters in the new building on the ground floor, and other floors as space was required. Suffice it to say, those negotiations fell through, and there is not, at the present time, any definite proposal under consideration. We have not yet moved back and I am not quite certain whether we will.

The CHAIRMAN: Does that conclude that?

Mr. HEAPS: I move we adjourn.

The Committee adjourned until 11 o'clock, a.m., Wednesday, June 16th.



SESSION 1926
HOUSE OF COMMONS

SELECT STANDING COMMITTEE

ON

RAILWAYS AND SHIPPING

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 12—JUNE 16, 1926

WITNESSES:

Sir Henry Thornton, President, C.N.R.

T. H. Cooper, General Auditor.

R. A. C. Henry, Bureau of Economics.

OTTAWA
F. A. ACLAND
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1926

REPORTS

HOUSE OF COMMONS,

WEDNESDAY, May 26, 1926.

First Report: Mr. Euler, from the Select Standing Committee on Railways and Shipping owned, operated and controlled by the Government, presented the First Report of the said Committee, which is as follows:—

Your Committee recommends that its minutes of proceedings and evidence be printed from day to day for the use of the members of the Committee and of the House and that Rule 74 be suspended in reference thereto.

Second Report: Mr. Euler, from the Select Standing Committee on Railways and Shipping owned, operated and controlled by the Government, presented the Second Report of the said Committee, which is as follows:—

Your Committee recommends that it be granted leave to sit while the House is in session.

Concurrence: On motion of Mr. Euler, the First and Second Reports of the Select Standing Committee on Railways and Shipping owned, operated and controlled by the Government, were concurred in.

FRIDAY, May 28, 1926.

Third Report: Mr. Euler, from the Select Standing Committee on Railways and Shipping owned, operated and controlled by the Government, presented the Third Report of the said Committee, which is as follows:—

The attention of your Committee having been drawn to the omission of the interim supply voted by Parliament during the present Session, of any part of Items 372 and 373, of the Estimates 1926-27 respecting loans to the Canadian National Railway and the Canadian Government Merchant Marine, Limited;

Your Committee therefore recommends that Parliament grant as interim supply the sum of \$10,000,000 of the said Item 372 and the sum of \$200,000 of the said Item 373.

MONDAY, 14th June, 1926.

On motion of Mr. Euler, the Third Report of the Select Standing Committee on Railways and Shipping owned, operated and controlled by the Government, was referred to the Committee of Supply.

ORDER OF REFERENCE

HOUSE OF COMMONS,

WEDNESDAY, May 19, 1926.

Resolved,—That Rule 10 of the House of Commons relating to the appointment of the Select Standing Committees of the House be amended by adding to the Select Standing Committees of the House for the present session a Select Standing Committee on Railways and Shipping owned, operated and controlled by the Government, to which will be referred the estimates of the Canadian National Railways and the Canadian Merchant Marine for the present session, for consideration and for report to the House, provided, however, that nothing in this resolution shall be construed to curtail in any way the full right of discussion in Committee of Supply; and that the said Committee consist of Messrs. Bell (St. Antoine), Boys, Campbell, Clark, Drayton, Dunning, Euler, Fiset, Harris, Heaps, Jelliff, Jones, Johnston, Power and Robichaud.

Attest.

ARTHUR BEAUCHESNE,

Clerk of the House.

MINUTES OF PROCEEDINGS

HOUSE OF COMMONS,

WEDNESDAY, June 16, 1926.

The meeting came to order at 11 a.m., Mr. Euler the chairman presiding.

Members present:—Messrs, Boys, Clark, Drayton, Dunning, Euler, Fiset, Harris, Heaps, Jelliff, Johnston, Power, Robichaud.

Sir Henry Thornton and other officials of the C.N.R. were in attendance and filed several statements respecting various operations of the System, some of which statements are found incorporated and extended in the printed evidence of this date.

The committee then proceeded to a further consideration of Item 372 of the Estimates and progress having been reported the committee adjourned at one o'clock till Thursday June 17th, at 11 a.m.

A. A. FRASER,
Clerk of Committee.

MINUTES OF EVIDENCE

COMMITTEE ROOM 268,

HOUSE OF COMMONS,

WEDNESDAY, June 16th, 1926.

The Select Standing Committee on National Railways and Shipping met at 11.00 o'clock a.m., the Chairman, Mr. Euler, presiding.

The CHAIRMAN: Order, gentlemen. I think we have a little unfinished business to attend to. Sir Henry Drayton asked a question regarding bonds in connection with the sale of an elevator to the Montreal Harbour Commission.

Sir HENRY THORNTON: I mentioned this to Sir Henry (Drayton), but now that you refer to it, Mr. Chairman, I am not sure whether my answer satisfied him or not. When this question came up, we sought the advice of Mr. Eugene Lafleur, K.C., and asked him for an opinion. It is rather voluminous, but I will file it if you wish, with the Clerk, and without reading the whole of it, I think the gist of it is found in the last two paragraphs. (Reading):

A claim to reimbursement is now being made by the Sterling Company, holders of about \$600,000 worth of bonds, and a calculation has been made establishing that if these \$600,000 of bonds are allowed to run to maturity and money is borrowed to pay the interest thereon at five per cent, the total cost thereof at the end of eleven years will be \$340,962.89. The present worth of \$940,962.89 on a five per cent basis would be \$549,720, which would make each \$100 bond worth \$91.62. Accordingly, if the Canadian National Railway Co. were to redeem the bonds at once at \$91.62, it would be in exactly the same position as if the bonds were permitted to run on until maturity.

I see no objection to the bonds being redeemed on this basis if the holders are satisfied to accept that amount. This would have the incidental advantage of enabling the Harbour Commissioners to get a clear title, and to carry out their projected bond issue.

The CHAIRMAN: Is the committee satisfied to let the whole statement go on the record, or merely to have it filed? Unless there is objection, we will let it go on the record.

Copy

LAFLEUR, MACDOUGALL, MACFARLANE & BARCLAY,
Advocates, Barrister, Etc.

ROYAL TRUST BUILDING,

MONTREAL, September 15, 1925.

Sir HENRY THORNTON, K.C.B.,

President, Canadian National Railway Co.,
Montreal.

DEAR Sir HENRY,—I have examined the agreement of sale of 11th April, 1923, between the Canadian National Railway Co., Montreal Warehousing Company and the Harbour Commissioners of Montreal, and considered the questions which you submitted to me in connection therewith.

By this deed the Warehousing Company agrees to sell to the Harbour Commissioners all the right, title, estate and interest which the Canadian National Railway Co. and the Montreal Warehousing Co. have in the

leases of the property at Windmill Point therein described, together with the buildings erected on the lands comprised in these leases and all plant, machinery and supplies in the buildings. The price was to be a sum of money to be paid in cash, which should be agreed upon between Dr. W. L. McDougald, President of the Harbour Commissioners, and Major Graham A. Bell, Vice-President of the Canadian National Railway Co., within sixty days from the date of the deed, and in the event of their failure to agree, then by a third party to be nominated by them. This price was subsequently fixed by Dr. McDougald and Major Bell at \$1,600,000.

The deed then provided that the C.N.R. and the Warehousing Company should indemnify and save harmless the Harbour Commissioners against the payment of the interest or principal of the bonds secured by the deed of trust from the Montreal Warehousing Company to the National Trust Company dated 14th May, 1906, the payment of which bonds was guaranteed by the Grand Trunk Railway. It further stipulated that the Canadian National Railway Co. and the Warehousing Company shall, upon request, execute and deliver to the Harbour Commissioners such documents as the Harbour Commissioners may be advised are necessary to properly vest in them the property thereby agreed to be conveyed, such documents to be satisfactory in form to the legal advisers of the C.N.R. and the Warehousing Company, and the parties respectively agree to cause to be executed such further documents as may be necessary to give full effect to the agreement.

The principal question which is submitted is whether on payment of the agreed amount in cash the vendors are obligated to pay off the bond issue of \$1,000,000, Four per cent, Thirty-year First Mortgage Bonds created by the deed of trust of 14th May, 1906.

I have come to the conclusion, without any hesitation, that the vendors cannot be compelled to repay these bonds before their maturity and that their obligation to give title to the Harbour Commissioners will be satisfied if they execute such formal documents as may be necessary to convey title, without the necessity of freeing the property from the charge created in favour of the bond-holders by the deed of trust. The agreement clearly contemplates that the purchasers, instead of getting a title to the property free and clear, will be satisfied with taking the guarantee of the vendors against liability on the bonds.

I have also examined the deed of trust to ascertain whether it could successfully be contended that any default on the part of the Warehousing Company had accelerated the maturity of the bonds.

Section one of article 8 of the deed of trust provides that in case the Warehousing Company and the Grand Trunk shall make default in the payment of the interest on the bonds and such default shall have continued for a period of six months, the trustee, on the written request of the holders of a majority in amount of the bonds then outstanding, may, by notice to the Warehousing Company and the Grand Trunk, declare the principal of all the bonds then outstanding to be due and payable immediately; and section two of the same article provides that in case the Warehousing Company and the Grand Trunk shall make default in the payment of the interest upon or principal of any of the bonds, or in case there shall be a substantial breach of any of the covenants on the part of the Warehousing Company, continuing for a period of six months after written notice from the trustee, then the trustee may enter upon the mortgaged premises and may sell to the highest bidder the mortgaged premises, upon which sale the principal of all the bonds then outstanding shall forthwith become due and payable.

There has been no default in the payment of interest, and the only contention made on behalf of the bond-holders is that there has been a substantial breach of the covenant to operate the elevator, contained in section 2 of article 4, which default to operate will result in there being no more tolls and revenues from the mortgaged premises, which tolls and revenues are pledged as part of the mortgaged premises.

I am unable to come to the conclusion that there has been a breach of the covenant to operate. The Harbour Commissioners, in section 7 of the contract of 11th April, 1923, covenant to handle at least 32,000,000 bushels of grain each year when the same is tendered to them at the elevator by the Canadian National. They further stipulate, in section 8, that they will immediately proceed with the work of installing an addition to the present annex to the elevator, which will increase the storage capacity by at least 1,000,000 bushels, and will also at once equip two more grain loading berths with conveyor galleries, and will have such additions and other work completed as soon as possible.

Then, by section 13, the parties declare that it is the intention of the Harbour Commissioners in taking over the said elevator, to provide in the Port of Montreal greater accommodation for the large increase in grain traffic expected to be handled by the Canadian National than could possibly be provided by it.

It is clear from the above stipulations that, so far from ceasing to operate the elevator, the Harbour Commissioners will continue to operate it with greatly enlarged facilities.

I do not think there can be any default in respect of the covenant to operate contained in section 2 of article 4 as long as the operation continues, either through the Warehousing Company itself or through the Harbour Commissioners.

Nor does the change of title and the future operation of the elevator by the Harbour Commissioners alter the position of the bond-holders with respect to tolls and revenues. The mortgage is not discharged by the terms of sale, but, on the contrary, is allowed to stand against all the mortgaged property, and the tolls and revenues in question are still subject to the floating charge created by the deed of trust.

Objection was also taken to the transfer of the property on the ground that the bond-holders will not be protected by insurance, as they were before.

I am informed that, on the contrary, the Harbour Commissioners will insure the property with the stipulation that loss is to be payable to the mortgagees, so that the bond-holders will find themselves in the same position as they were under the trust deed, with the further benefit of section 10 of the agreement, which provides that if the elevator or any renewals thereof be destroyed or partially destroyed at any time by fire, explosion or otherwise, the Harbour Commissioners will rebuild or restore the same with all reasonable diligence and in any event within a period of one year from the time the same are destroyed or partially destroyed.

For these reasons I am unable to come to the conclusion that there has been any substantial breach of any of the covenants contained in the trust deed on the part of the Warehousing Company.

Under these circumstances I am of the opinion that the vendors are entitled to await the date of maturity stipulated in the bonds before repaying the capital.

A claim to reimbursement is now being made by the Sterling Company, holders of about \$600,000 worth of bonds, and a calculation has been made establishing that if these \$600,000 of bonds are allowed to

run to maturity and money is borrowed to pay the interest thereon at five per cent, the total cost thereof at the end of eleven years will be \$340,962.89, which, with the principal then maturing of \$600,000, would make a total of \$940,962.89. The present worth of \$940,962.89 on a five per cent basis would be \$549,720, which would make each \$100 bond worth \$91.62. Accordingly, if the Canadian National Railway Co. were to redeem the bonds at once at \$91.62, it would be in exactly the same position as if the bonds were permitted to run on until maturity.

I see no objection to the bonds being redeemed on this basis if the holders are satisfied to accept that amount. This would have the incidental advantage of enabling the Harbour Commissioners to get a clear title and to carry out their projected bond issue.

Yours very truly,

(Signed) E. LAFLEUR.

EL-LGR.

The CHAIRMAN: Is there any other unfinished business? Any other other questions to be answered, Mr. Henry? The statement for the western regions, freight operating revenue—

Mr. HENRY: These were some of the estimated losses in traffic due to the motor vehicle competition.

The CHAIRMAN: We will file that. I think that might go on the record.

Hon. Mr. DUNNING: It is all very well to put this statement *re* Freight operating revenue, western regions in the records, but there are some things in it which I feel sure the committee will want to discuss. You know, Sir Henry (Thornton) the controversy that rages about some of the subjects there.

Sir HENRY THORNTON: The railway is divided into three regions, very largely for convenience in operation. The fact that one region may be profitable or unprofitable has nothing whatever to do with the improvements which would be authorized for that region, the money spent upon it, or anything of that sort. In other words, the division of the railway into regions is purely for convenience of operation, and reflects neither depressed business conditions, favourable business conditions, nor anything of that kind. It is very largely for our own information as an implement in administering the property.

Hon. Mr. DUNNING: Sir Henry (Thornton), how far east does the western region extend?

Sir HENRY THORNTON: To the head of the lakes, Port Arthur, and of course, Armstrong.

Mr. CLARK: How far west does it go?

Sir HENRY THORNTON: To the Pacific coast; Vancouver and Prince Rupert.

Mr. JELLIFF: What do you call the eastern region?

Sir HENRY THORNTON: Roughly, it extends from Port Arthur to Riviere du Loup.

Mr. JELLIFF: Why are not the same statements filed in regard to the other regions?

Sir HENRY THORNTON: They have been filed, Mr. Jelliff. This was apparently asked for by Sir Henry Drayton in regard to something he had in mind about the movement of grain.

Mr. JELLIFF: That statement does not represent the real contribution of any particular region to the revenue?

Sir HENRY THORNTON: No, of course not.

Mr. JELLIFF: I want that made clear on the record, because I think a false impression may be given to the public.

Sir HENRY THORNTON: But you need have no fear regarding the western region, which is showing a steady and healthy improvement. Now, for instance, the Atlantic region operates at a deficit, as far as the operating limits of that region go, but, on the other hand, it is an essential part of the railroad, and if we were cut off from that region we would be divested of the all-year ports of the Atlantic ocean. So you see that sometimes conditions which are unprofitable in themselves are desirable to be maintained, because it may give to the railway a strategic point from which to derive benefit from the other regions.

Hon. Mr. DUNNING: Have you your traffic man here, sir Henry (Thornton)?

Sir HENRY THORNTON: No. I let Mr. Dalrymple go.

Hon. Mr. DUNNING: I was going to ask him this question, in regard to the operating revenues from grain in mills, per ton mile. Is it a fair comparison to take the ton mile basis as between grain and ostrich feathers, for instance—

Sir HENRY THORNTON: Or post holes, even.

Hon. Mr. DUNNING: Yes, or post holes. You get my point from the illustration. I am taking the two extremes. It is well known that grain is a highly concentrated commodity—

Sir HENRY THORNTON: You would find the rate on ostrich feathers would be sufficiently high to take care of the very point you have raised. I do not happen to know offhand what our rate on ostrich feathers may be.

Hon. Mr. DUNNING: I know that is a general theory—

Sir EUGENE Fiset: They would go by express anyway.

Hon. Mr. DUNNING: This statement goes to the operating revenue in the western region from grain, that is, eastbound and westbound. The amount as given is 5.33 mills plus decimal ten mills from other sources of grain revenue, or a total grain revenue of 5.43 mills per ton mile. Then they compare that with all the other traffic at all the other rates, and put in the revenue from other traffic, including rates from other sources, as 10.80, and from that per ton mile deduction, it is made to appear that even in 1925 the railway lost a little over one-half mill per ton mile for hauling grain—.59 mills, to be exact.

Sir HENRY THORNTON: That is right.

Hon. Mr. DUNNING: I am not inclined to accept that at its face value on the per ton mile basis.

The CHAIRMAN: It speaks for itself, does it not, Mr. Dunning? It is taken from the figures.

Hon. Mr. DUNNING: Any man who creates a basis for calculation can build a structure upon it. It is a question of whether we shall accept this structure based upon this basis.

The CHAIRMAN: There is a statement Sir Henry Drayton asked for.

Sir HENRY THORNTON: You have always got to remember this in dealing with technical statistics relating to any particular activity; you must assume sufficient intelligence on the part of the person who reads them to properly interpret them and obtain the statistical information.

Sir HENRY DRAYTON: Is that in reference to the saying that statistics sometimes take third place in the degree of untruthfulness?

Sir HENRY THORNTON: Excepting if they are unintelligibly interpreted they may reflect inaccurate results.

Mr. POWER: I would like to get Sir Henry Drayton's view in this case. Mr. Dunning says this is not to be taken as an accurate statement of the real situation.

Sir HENRY DRAYTON: What basis do you want it prepared on?

Hon. Mr. DUNNING: I do not suggest any basis.

Sir HENRY DRAYTON: The present basis seems to be helpful until we find out what the new basis is to be.

Hon. Mr. DUNNING: Perhaps I might be permitted to answer the question. Sir Henry was not here when I raised my objection to the per ton mile basis being taken as a basis for calculation on grain as against all other commodities, all other commodities being in the position, in some cases, at least, in not even having a weight rate.

Sir HENRY THORNTON: What?

Hon. Mr. DUNNING: The actual weight rate. The weight factor is made a test for grain in this particular area as against all other commodities regardless of the rate basis applied to these other commodities, whether that basis is weight or not.

Mr. CLARK: Compared with high-class freight.

Sir HENRY THORNTON: Of course, I venture to say that the rate would be higher on other commodities which might be lighter in bulk.

Sir HENRY DRAYTON: That is what I was going to point out. The point made by the Minister makes against him entirely. There is one criticism, though, that the Minister could make, which he has not made, in connection with this whole question. I have always taken the position that although on paper these grain rates are low, the grain rates, or rather the grain traffic with the resultant business that it procures, with the tremendous increase that it gives to the purchasing power of the West, works to the benefit of the system. I know I am right because whenever you see a really good grain crop you see prosperity, or rather, added prosperity for the railway. On the other hand, it is perfectly true that as a matter, not only of accountancy, but in some instances of fact, which can easily be demonstrated to any one who knows anything about the business, there is an actual loss in carrying some of those grain hauls. Nevertheless, there is a large resultant profit in it arising out of the traffic which that grain movement in turn makes, and you will always find it the same. Now, just to go a step farther, once upon a time, not only were these grain rates profitable in the way I point out, but they were also profitable per se, and very profitable per se. I speak subject to correction on this because my memory is some years old. The rate on grain in the western territory, varying as it does in connection with the haul going down, as it does with the longer haul tapering off, runs from 5.3 to 5.6. Is that about right, Sir Henry?

Sir HENRY THORNTON: Mills per ton mile.

Mr. HENRY: At the present time it is less than half a mill, in some cases it runs a little less; the average, I think, is 5.4.

Sir HENRY THORNTON: The average is given.

Sir HENRY DRAYTON: I have not read this over, I do not know what it is.

Mr. HENRY: Therefore, some of it must be lower.

Sir HENRY DRAYTON: Now then, you see, when you have a basis of cost which gives you your average ton mile rate in mills above your average ton mile receipts, even although it is only a fraction, there is a tremendous profit in it. If you just take, for example, a quarter of a mill per ton mile profit on the whole of that grain movement, you have a tremendous revenue for your system, simply immense. What would that be, Mr. Henry, you could illustrate that?

Mr. HENRY: A quarter of a mill?

Sir HENRY DRAYTON: A profit of only a quarter of a mill per ton mile.

Hon. Mr. DUNNING: Have we ever had that?

Sir HENRY DRAYTON: Yes, we have had it.

Mr. BELL (Deputy Minister): It would be tremendous.

Sir HENRY DRAYTON: It is tremendous, and we have had it in the old days. We have had it where they actually made that quarter of a mill per ton mile on the grain.

The CHAIRMAN: Does that statement show anything of the kind there; what is the result shown there with regard to that?

Hon. Mr. DUNNING: Just before we reach that argument—

Mr. HENRY: About \$10,000,000. (Statement later corrected to \$1,000,000.)

Sir HENRY DRAYTON: Now then, you see, if you carry that down, just take off an eighth, you are down a half at once; drop your quarter and you are carrying it really at a loss because you have got nothing coming in to look after your wear and tear; drop it an eighth below that and you are out a half million dollars. Yet the thing is so small that it is hardly to be seen at all; the difference in the rate is so small that it is hardly to be seen at all. That is the reason why in some instances, Mr. Henry, I do not believe that you are losing money on all your grain carriage in the West.

Mr. HENRY: I think that is correct.

Sir HENRY DRAYTON: I think you will find, if you were to work it out, that you are making money on the shorter hauls to-day with your grain. Where you are losing money on your grain is where you pro rate down in connection with the long hauls, continuing your pro rating to the line where your expenses meet.

The CHAIRMAN: What is the net result; you may make on some and lose on others; what is the net result?

Sir HENRY DRAYTON: According to this statement, I would just like to work out this statement to see.

Mr. HEAPS: If Sir Henry has no more questions there is a question that might throw some light on the value of the grain haul. Compare the statistics now with ten or fifteen years ago. How much haulage can you get now out of the most modern equipment you have compared to ten or fifteen years ago?

Sir HENRY THORNTON: By haulage do you mean mileage?

Mr. HEAPS: No, I am talking about the quantity of grain you haul per car; the number of cars you haul compared to ten or fifteen years ago; take the tonnage, if you wish.

The CHAIRMAN: You mean the train?

Mr. HEAPS: For instance, you have the heavy engines; less train crews working. All this must have some effect.

Sir HENRY THORNTON: Tons per train.

Mr. HEAPS: Yes.

Sir HENRY THORNTON: The tons per train have increased materially, pretty nearly doubled in the last fifteen years.

Mr. HEAPS: In other words, you are hauling twice as much grain now in a single train as you were, say, fifteen years ago?

Sir HENRY THORNTON: That is about right, yes; although you must remember at the same time wages have materially increased as well.

Mr. HEAPS: We are discussing all that, but when you take the fraction over five mills into consideration. I would like to find what relationship that has to the volume of the grain haul?

Sir HENRY THORNTON: You can say we are hauling, roughly, about twice as much tons per train now as we did fifteen years ago.

The CHAIRMAN: Has the cost per ton mile been reduced, Sir Henry?

Sir HENRY THORNTON: I should think not; I should doubt that.

Sir HENRY DRAYTON: Oh, no, we have not got down to that, and it will take a little while before we can. Supposing you go back to the statistics of the Railway Bureau of the United States, where they have got that all worked out pretty well, I think you will find that when our increase first came in there was a tremendous jump in cost, simply a tremendous jump away up; it was not only wages, it was materials, it was everything; they pyramided. Well then, we are getting down to the more modern type of railroading, we are getting big, heavy units and, of course, so long as you have traffic for them the bigger your unit, the heavier your unit, the cheaper your movement. As that became more general you will find these costs coming down, just like that, as a result of the improved mechanical practices and operation. But we have not yet got down—

The CHAIRMAN: They are coming down to what they were some years ago, but they are not down below what they were fifteen years ago.

Sir HENRY DRAYTON: They are not down to what they were before the war. It was the war that made all the trouble; but they are working down; they have not got there yet.

Mr. HEAPS: Fifteen years ago, I assume that is about the period it was said there was some profit in hauling grain?

Sir HENRY DRAYTON: Yes.

Mr. HEAPS: I am just wondering how the loss came about.

Hon. Mr. DUNNING: I am not admitting there is a loss now.

Sir HENRY THORNTON: Our costs, Sir Henry, have not gone down, notwithstanding the things that you have mentioned:

Sir HENRY DRAYTON: That is true.

Sir HENRY THORNTON: The ton mile cost.

Sir HENRY DRAYTON: But I am saying you are pulling it down by better loading, by more economical distribution of fuel and savings in fuel; you are pulling down your cost per ton mile, which is your unit.

Sir HENRY THORNTON: That is true.

Mr. HENRY: That is off-set by other factors.

Sir HENRY DRAYTON: Which are off-setting those?

Mr. HENRY: If you will compare 1914 with 1926; to start with, your index number is 160 compared with 100, for wages, price of materials and everything. Now, off-setting that, you have greater economies due to greater loading, increased power and things of that kind.

Sir HENRY DRAYTON: Certainly; that is just what I am saying.

Mr. HENRY: The net result is it cost more now than it did in pre-war days.

Sir HENRY DRAYTON: Certainly, I am saying that; but it is not costing as much to-day, by reason of the mechanical improvements and the like, it is not costing as much to-day as it did, say, four years ago.

Mr. HENRY: Oh; no, quite.

Sir HENRY DRAYTON: You are coming down or were just as soon as the war peak came on. When you arrived at your peak you had been working down.

Mr. HENRY: That is correct.

Sir HENRY DRAYTON: The Minister does not like these figures, I think, but the case seems the correct one.

Hon. Mr. DUNNING: I want to get the benefit of your experience. I am not in any way attempting to set up another set of figures but I am questioning the definite result which is here arrived at and which, after being worked out, leads us to the conclusion that the grain traffic of last year on the western region resulted in an operating net loss of .59 mills per ton, a little over half a mill per ton mile. I feel sure the other members of the Committee and the public generally will try to analyse the basis. Before you came in I was pointing out that the operating revenue from grain, which is a definitely ascertainable figure, I take it, Mr. Henry?

Mr. HENRY: Yes.

Hon. Mr. DUNNING: That is a definite figure, there is nothing estimated in that item, in the first item of 5.43 per ton mile for the grain.

Mr. HENRY: That is the exact movement.

Hon. Mr. DUNNING: "Revenue from other traffic, 10.80," that is an exact figure per ton mile on all other traffic?

Mr. HENRY: That is correct.

Hon. Mr. DUNNING: Then you put together your grain and your other traffic and you get the revenue per ton mile from all traffic in that region of 7.7. Those are all positive figures?

Mr. HENRY: All positive figures.

Hon. Mr. DUNNING: As to operating expenses; your operating expenses in connection with grain per ton mile is not an exact figure.

Mr. HENRY: Perhaps I might explain the method by which that is arrived at. That is correct, it cannot possibly be an exact figure.

Sir HENRY THORNTON: It is bound to contain estimated figures.

Sir HENRY DRAYTON: You have that in connection with all cost questions; you never can get at any cost question absolutely. You can get it by a process of cross checking, so that you are practically sure you are correct.

Mr. POWER: You mean, you are sure your comparisons are all right?

Sir HENRY DRAYTON: Absolutely sure.

Hon. Mr. DUNNING: It brings me back to the point I made originally, among others. We are now on the question of the cost of movement, of whether the rates are higher or not. The cost differential here given in operating cost as between grain and all other commodities put together is the difference between 6.02 per ton mile—

Sir HENRY DRAYTON: 0.58.

Hon. Mr. DUNNING: 0.58 per ton mile. That is, it costs just .58 less in the opinion of the statisticians to haul grain per ton mile than it costs to haul all other commodities per ton mile. There, I come back to the point which I regard as being the most indefinite about the whole thing and I am blaming no one for it, it is a condition—the fact that there are very many commodities so light in weight and so great in bulk that the per ton mile basis of comparison with a concentrated commodity like grain is almost impossible to get at accurately, and when the differential between profit and loss, Sir Henry, is so small, as you describe it, it is important to the Government. For instance, if these two were on the same basis it would practically have the effect of eliminating that 0.49 of a mill of loss.

Sir HENRY DRAYTON: Oh, sure.

Hon. Mr. DUNNING: That is why it is very important to know whether the basis of comparison between concentrated commodities per ton mile and all other commodities, regardless of their bulk compared with their weight, whether it is possible to get at that any more accurately than is now done. I doubt if it can be done.

The CHAIRMAN: The rates are made to follow that bulk.

Hon. Mr. DUNNING: It is not a question for the moment of rates; this is a question of the determination of the operating costs in relation to commodities. For instance, suppose we picked out some other concentrated commodities; suppose we picked out coal or steel or any other commodity and compared it on the same basis with the haulage of all other commodities on a per ton mile basis, would we not very likely reach the same result in connection with a number of commodities?

Sir HENRY THORNTON: You might get a similar result.

Mr. CLARK: Have you done it? Can you give us some concrete example?

Sir HENRY THORNTON: Oh, yes.

Hon. Mr. DUNNING: Then put it on record in connection with one commodity alone.

Mr. CLARK: I suggest we have it worked out for steel and for coal.

Sir HENRY DRAYTON: There is just this to be said about it; that is, to the extent that the movement bulks large, and just to that extent it is easier to get your cost. When you have a larger percentage of the total movement in any one commodity it is relatively easier to handle your figures in connection with that than it would be, for example, taking a commodity, what you are getting on first class goods.

Sir HENRY THORNTON: I think it would be very difficult to arrive at the figures that General Clark has suggested; I do not know whether we can produce them for coal or steel.

Hon. Mr. DUNNING: This is confined to one region and I submit to you that is hardly a fair way to deal with the grain traffic. The grain traffic only finishes one leg of its journey by the time it gets to the eastern side of the western region. Some of it is in fact passed on all rail and a greater proportion passes on lake and rail, which gives another earning from the point of the lake movement.

Sir HENRY DRAYTON: Does my honourable friend know what the percentage is moving east?

Hon. Mr. DUNNING: All rail?

Sir HENRY DRAYTON: Yes.

Hon. Mr. DUNNING: Very small, but a large percentage moves lake and rail.

Sir HENRY DRAYTON: But the lake and rail hardly has very much to do with our operating cost, for this reason; you cannot go into it; if you are going to set to work and consider not only your rail cost but your lake cost you get nowhere.

Hon. Mr. DUNNING: I am not suggesting that.

Sir HENRY DRAYTON: That is the reason for stopping where it is a concrete proposition.

Hon. Mr. DUNNING: But I am suggesting that the value of the grain traffic to the Canadian National Railway does involve also the revenue received from that portion of the rail journey east of Fort William, the rail haul which is a small all-rail haul, and also from Georgian Bay ports to Montreal, which is considerable. It is the same grain which is being moved and if we are considering the relationship of it to the earnings of the System we ought at least to take the whole System. If we begin to broadcast through this country that we lost, as a system, about half a mill per ton mile on hauling grain—I put that to the Committee as a fair proposition.

Sir HENRY DRAYTON: While, as a movement, these figures may be approximately correct, and I suppose they are, as a result the system makes a lot of money out of that grain?

Hon. Mr. DUNNING: Oh, quite.

Sir HENRY DRAYTON: No question about that.

Hon. Mr. DUNNING: Quite. You know, as I know, that figures applying to a section of the country—as these happen to do—are very often used in a not very intelligent way by people who get hold of them. I did desire that your position would be completed, so as to make a fair picture.

The CHAIRMAN: It just occurs to me that we are going into details which are a little beyond the purview of this Committee.

Hon. Mr. DUNNING: We are wandering much adrift.

Mr. CLARK: I have two or three questions I should like to ask, arising out of the discussion. I am not going to make any statement.

The CHAIRMAN: We are supposed to deal with the estimates; I hardly think that this discussion relates to estimates.

Sir HENRY DRAYTON: I should like to be given, in toto, what that .58 mills per ton per mile in expenses means. Mr. Dunning has pointed out that the only difference made in favour of grain is .58. What does that mean, in expenses?

The CHAIRMAN: Perhaps General Clark will ask his questions?

Mr. CLARK: Sir Henry Thornton, do you agree with the statement made by Sir Henry Drayton, in regard to the difference in revenue created by the reduction, we will say of a quarter of a mill per ton mile in the rate?

Sir HENRY THORNTON: The figure that was just given, yes. It is merely a matter of arithmetic.

Mr. CLARK: Can you tell me the difference in the rate per ton mile on grain going to the Pacific coast, and to Fort William?

Sir HENRY THORNTON: I cannot tell you offhand, General, we can get it.

Mr. CLARK: Would you mind figuring that out. I should think it would be fairly simple calculation, if you know offhand the rate on grain.

Sir HENRY THORNTON: You want the per ton mile cost on grain?

Mr. CLARK: The per ton mile rate on grain going to the Pacific coast, and the per ton mile rate on grain going to Fort William.

Sir HENRY THORNTON: Yes.

Mr. CLARK: Proceeding from there: how many cars of grain can you haul with one engine, we will say from Edmonton to the Pacific coast?

Sir HENRY THORNTON: That can only be answered in a general way. What do you say, Mr. Hungerford?

Mr. HUNGERFORD: I cannot say with precision.

Mr. CLARK: It has been given in the past.

Mr. HUNGERFORD: I think it is a question that is being discussed before the Railway Board at the present time.

Mr. CLARK: You surely know, in a general way. You surely do not suggest that nobody in the system knows how many loaded cars of grain you can haul from Edmonton to the Pacific coast?

Sir HENRY THORNTON: No, we do not suggest that at all. We can answer the question you have asked, but it may take a little figuring to get at it.

Mr. HUNGERFORD: This just relates to the estimates?..

Mr. CLARK: Can you tell me how many loaded cars of grain be hauled, the other way, to Fort William?

Mr. HUNGERFORD: That varies on every sub-division; we do not haul the same tonnage over each sub-division, or, in some cases, over different portions of the same sub-division.

Mr. CLARK: I realize that. Is it not a fact that you can haul 48 loaded cars of grain from Edmonton to the Pacific coast, with one engine?

Sir HENRY DRAYTON: That has been figured out on the basis of 60 cars.

Hon. Mr. DUNNING: That was a smaller unit, Sir Henry Drayton.

Sir HENRY DRAYTON: Yes, the cars smaller, but the engine bigger.

The CHAIRMAN: General Clark has the floor just now.

Mr. CLARK: Is there any difference in the amount of tonnage you can haul from Edmonton to the Pacific coast, and the amount of tonnage you can haul from Edmonton to Port Arthur, with the same amount of power.

Sir HENRY THORNTON: I take it that your question really means; is there any difference in the cost of moving grain eastbound, as compared with west-bound to the Pacific coast.

Mr. CLARK: That is one phase of the question.

Sir HENRY THORNTON: That is what you are getting at.

Mr. CLARK: Why not answer the question: is there any difference in your grades?

Sir HENRY THORNTON: Not material; with the exception of short pusher grades.

Mr. CLARK: There is no material difference in the grade.

Sir HENRY THORNTON: No.

Mr. CLARK: Therefore, there is no material difference in the tonnage you can haul with one engine.

Sir HENRY THORNTON: That is substantially correct.

Mr. CLARK: And there would be no material difference in the cost.

Mr. HUNGERFORD: The segregated train mile cost would be substantially equal; but there are other factors involved with regard to mountain operation, which makes it more expensive than prairie operation.

Mr. CLARK: There is no difference in the grade; now, wherein does the mountain factor enter?

Sir HENRY THORNTON: Maintenance, perhaps.

Mr. HUNGERFORD: Maintenance of way, for one thing.

Mr. CLARK: You have ties at hand all along the line. You mean the prairie feature is more expensive than the other item. You have soft water all along the line through the mountain section, and alkali water on the other section.

Mr. HEAPS: We have good soft water at Winnipeg.

Hon. Mr. DUNNING: They have some soft snow along the line through the mountains.

Mr. HUNGERFORD: We have trouble with slides; we have standing-by outfits removing slides all the year round.

Mr. CLARK: I have travelled over the line a good many times, and I never saw a slide. You will admit that there are some favourable factors in the mountain section, I suppose, such as the mild climate, soft water, good grades, and timber at hand. They are favourable factors, are they not?

Sir HENRY THORNTON: In other words, that classification turns on western freight rates.

Mr. CLARK: Now, coming to this statement, I should like to get my questions answered. Are there no favourable factors in the mountain section of the road, at all?

Sir HENRY THORNTON: As compared with the prairies?

Mr. CLARK: Yes. Take them one by one; water.

Sir HENRY THORNTON: We might assume that the water is certainly no worse in the mountains than on the prairies.

Mr. CLARK: Grades.

Sir HENRY THORNTON: The grades are substantially the same.

Mr. CLARK: Ties.

Sir HENRY THORNTON: We save haul on the ties.

Mr. CLARK: The figures submitted give you a saving of nearly 50 per cent on the price of ties.

Sir HENRY THORNTON: Yes.

Mr. CLARK: And ballast, rock.

Sir HENRY THORNTON: Well we do not greatly use rock on the mountain sections, but if we wanted to it would probably be found.

Mr. CLARK: Maintenance of ways, apart from slides, would that item be favourable to the mountain section?

Sir HENRY THORNTON: Not more favourable than on the prairies.

Mr. CLARK: I understand that in regard to these ties, and ballast, it would be more favourable. With regard to water, just as favourable. And, with regard to coal, I assume it would be just as favourable?

The CHAIRMAN: I do not like to interrupt you, but I think it is really more of an argument which should be brought before the Railway Board rather than this Committee.

Mr. CLARK: As far as the statement which has been filed is concerned, I want to see how much of this loss can be assessed against the haulage of grain westward, as compared with the haulage of grain eastward. Will you give me the difference in rates per hundred weight, on grain from Edmonton to the Pacific coast, and from Edmonton to Port Arthur. I think you have those at hand.

The CHAIRMAN: Have you those figures, Mr. Henry?

Mr. HENRY: No, I would only be guessing.

Mr. CLARK: Am I correct in saying the rates are about 25 per cent higher, at least, going westward as compared with eastward?

Sir HENRY THORNTON: I do not think it is quite as much as that.

Mr. HENRY: I think it is a rate of 22 cents to the coast, and about the same to the head of the Lakes.

Mr. CLARK: That is from Edmonton?

Mr. HENRY: From Edmonton to the Pacific coast, I think the rates are the same.

Mr. CLARK: What is the difference in mileage?

Mr. HENRY: Eight hundred, as against eleven hundred miles.

Mr. CLARK: I am assuming, therefore, it would make a difference of pretty nearly 25 per cent, higher. Then I would suggest that there must be an enormous profit made by the railway company on the haulage of grain westward, and a much larger proportionate loss on the haulage of grain eastward, by reason of the fact.

Mr. HEAPS: Why should that quarter of a mill per ton mile make such an enormous difference in the revenue, or expenses?

Mr. HENRY: I will have to correct the figure I gave; one-quarter of a mill is only \$1,000,000.

Mr. CLARK: He said \$5,000,000.

Mr. HENRY: I said \$10,000,000. The decimal was in the wrong place.

Hon. Mr. DUNNING: Hurried figuring is not safe. The record will have to be corrected in regard to that item.

Mr. CLARK: Even then, I suggest that no portion of that loss, shown in this statement, is caused by the haulage of grain westward to the Pacific coast.

The CHAIRMAN: We cannot be sure of that.

Mr. CLARK: I think we can be sure of that. That is the answer of the comparison of the per ton mile rate to the Pacific coast, as compared with the eastward traffic.

The CHAIRMAN: You cannot be certain of the actual figure, to put it on a definite basis.

Mr. CLARK: I am speaking of haulage in the aggregate.

Sir HENRY THORNTON: Whether that characteristic amounts to very much, or not, I do not know; all these things would have to be examined in detail to ascertain what the actual figures will show.

Mr. CLARK: It has been worked out with regard to the operation over western lines.

Mr. HENRY: Over the whole of the western lines.

Mr. CLARK: I suggest it will give a false impression in the west, and I am very much concerned in the operation of the railway in the west—with the haulage of grain westward. I ask that the computation be carried out in order to see if there is a loss or profit on the haulage of grain westward.

Mr. HEAPS: There is one question arising out of this same point, which General Clark did not ask, and I would like to ask about it; it enters into this particular question; that is, the cost of construction per mile on the prairie as compared with the mountains.

Mr. CLARK: The Grand Trunk Pacific, on the prairies, cost \$100,000 per mile, and the Canadian National, from Edmonton to Vancouver, cost \$66,000 per mile.

Sir HENRY THORNTON: Generally speaking, the maintenance of construction must be more expensive in the mountains than on the prairies.

Mr. HEAPS: Would not that be a factor to be considered in the cost of hauling across the prairies?

Mr. CLARK: Am I correct in my figures, that the Grand Trunk Pacific, on the prairies cost \$100,000 and the Canadian National, from Edmonton to Vancouver cost \$66,000 per mile?

Sir HENRY THORNTON: From memory, I can say that the Canadian Northern cost less per mile throughout the whole length than the Grand Trunk Pacific.

The CHAIRMAN: These are operating figures.

Sir HENRY THORNTON: Yes, these are operating figures. No interest is included in these figures.

The CHAIRMAN: In order to carry this out to the fullest extent, we must not only have the statement as set out by General Clark, but also the further statement with reference to the central region and eastern region, with regard to the movement of grain.

Mr. HENRY: I am afraid it is impossible for us to get that information, in order to trace that through.

Hon. Mr. DUNNING: There is a specific movement of grain from Bay Ports to Montreal.

Mr. HENRY: I would have to get the figures out of the records. It is a fact that grain represents a large proportion of the total tonnage handled on the western region. That information is kept separate, and it is easy to do it, but when we get to the central region—

Sir HENRY DRAYTON: It is a small percentage.

Hon. Mr. DUNNING: With regard to the ratio of the volume of traffic, there must be a large volume of traffic which moves from Bay Ports to Montreal.

Mr. HENRY: In order to give you the information as to the volume of traffic, it would be necessary to go back over the way bills.

Hon. Mr. DUNNING: The figures in regard to the western lines have been given before the Board of Railway Commissioners.

Sir HENRY DRAYTON: The through rates break at Fort William, and the rate is given to Fort William, and no farther east.

Hon. Mr. DUNNING: The figures are in relation to the haulage of the system.

Sir HENRY DRAYTON: The through rate is considered in regard to the rate at the head of the Lakes; therefore, there is a separate calculation so far as the rate structure is concerned.

Hon. Mr. DUNNING: It does not matter whether you break the rate at the head of the Lakes, or take the rate on the total movement.

Sir HENRY DRAYTON: The breaking of the rate at the head of the Lakes helps the grain movement very much.

Hon. Mr. DUNNING: Of course it does.

Sir HENRY DRAYTON: Why grumble about it?

Hon. Mr. DUNNING: I am not grumbling about it.

Sir HENRY DRAYTON: The Dominion Railway Board, in considering the rate proposition, consider the factors that enter into, and the factors in the territory to which that rate applies.

The CHAIRMAN: I should like to ask Mr. Henry: These costs per train mile are based only on operating expenses?

Mr. HENRY: Correct.

The CHAIRMAN: You would not be able to get an absolute result in that way, and if you are unable to get an absolute result, would not you have to take into consideration the cost of construction and interest charges?

Mr. HENRY: If that were wanted.

The CHAIRMAN: Those figures would have to be carried into the calculation of any cost?

Mr. BOYS: The statement has been made that the grades east and west are alike. Do I understand there is no difference in elevation? I can understand that the grade may be the same that has to be climbed; in other words, you have to elevate your load so many feet one way, and not the other way, without the engine can haul the load over the grade all right. Am I to understand there is no difference in the elevation going east and west?

Sir HENRY THORNTON: Mr. Hungerford, you are more familiar with the figures as to elevation than I. What is the answer?

Mr. HUNGERFORD: In a general way, westbound movement involves the hauling of grain over the Rocky Mountains.

Mr. BOYS: My point is this: Supposing you have a .3 per cent grade throughout the whole system, east and west; supposing in going west you have to elevate 1,500 feet more than going east, am I not right in assuming that although you have the same grade each way, the cost of hauling would be greater owing to the elevation?

Mr. HENRY: Correct.

Mr. BOYS: How about the curves? Do the curves enter in at all?

Mr. HENRY: Quite so.

Mr. BOYS: You can haul traffic on a straight track more economically than around curves?

Sir HENRY THORNTON: The curves resist the hauling power of the locomotive.

The CHAIRMAN: I think we are all qualifying for membership on the Board of Railway Commissioners.

Mr. BOYS: It is all interesting.

The CHAIRMAN: Yes, but we are going beyond our jurisdiction.

Mr. CLARK: Arising out of Mr. Boys' question; throughout the greater portion of the distance, going westward, there is a fall from the higher elevation to the sea level. Arguing on that basis, I suppose it would be true that the cost would decrease, all the time, approaching the grain ports?

The CHAIRMAN: If all that is admitted, it will make no difference in the rates.

Mr. CLARK: I see where you state you are making a loss on the hauling of grain; if there was less grain to haul, you would make more money?

Sir HENRY THORNTON: In presenting those figures, you must remember they were designed to answer the question asked by Sir Henry Drayton.

Mr. CLARK: In regard to the question I put to you, you have been handling a certain commodity at less than cost, and still find it, in the long run, profitable to do so. Do you adopt the explanation given?

Sir HENRY THORNTON: It must be so, otherwise we would never be able to show any net earnings.

The CHAIRMAN: Are there any other reports?

Sir HENRY DRAYTON: What does the .58 mean?

Mr. HENRY: \$2,687,000.

Sir HENRY DRAYTON: Now, the Minister was wondering if there would be another way of getting at this, and if there are some things that would be absolute. We know what the rate per ton mile on grain is, and also the net cost per ton mile, on all commodities.

Hon. Mr. DUNNING: Yes, on all commodities.

Sir HENRY DRAYTON: And also have an approximation which could be placed one against the other, with a view to checking up as to the cost of grain, as against other commodities. A simple calculation could be made, based on those considerations, with a view to making a more elaborate calculation. Do not you think that is work the Minister might do?

Sir HENRY THORNTON: We can get that.

The CHAIRMAN: May we call that closed then? I think there was a statement to be submitted this morning with regard to passenger traffic.

Mr. HENRY: The operating ratio on passenger traffic was 118 in 1924, and 113.8 in 1925.

The CHAIRMAN: Is that the information asked for?

Sir HENRY DRAYTON: What is the significance of that figure? What is your index figure?

Mr. HENRY: That is the operating ratio?

Sir HENRY DRAYTON: Just another thing on this same question, in connection with the regional accounting which we have before us; what proportion

of the through rate do you credit, for example, to the eastern division of the Intercolonial, Rivière du Loup eastward? We don't need to waste time on that now, but it is something which is simply a matter of fact, and could easily be given to-morrow.

Sir HENRY THORNTON: I was hoping there would be no to-morrow.

Sir HENRY DRAYTON: The whole point, as you can see at once, Mr. Henry, has to do with the difference between the regional divisions to see if this book-keeping is fair.

Mr. HENRY: I think, Sir Henry (Drayton) it can be said that the Traffic Department supply the Accounting Department with a division of through rates on the same basis as they would if the rate were arranged between foreign corporations.

Sir HENRY DRAYTON: If that is done, that is all anyone could ask for.

Mr. COOPER: That is as regards the regional traffic. The local traffic is sectional to the region.

Sir HENRY DRAYTON: Then there is an end to it. That is perfectly all right. Now, one other thing, about the Montreal bridge. I have seen the report, Mr. Chairman, and there was a complaint made by the automobile people—

Mr. HENRY: The Royal Automobile Association.

Sir HENRY DRAYTON: They wanted to get more traffic over our bridge there, and I think as a matter of information we should know what is being done. The basis of their complaint, as I remember it—

Sir HENRY THORNTON: The complaint provoked the report.

Sir HENRY DRAYTON: They wanted to use both sides for motors, and the information which they passed on was that it had been looked into by the company, and that the company had an arrangement under which they would put in electrical interlocking, and put the electric cars over the steam railway tracks, giving both sides to vehicular traffic, and that the cost of that would be about \$125,000.

Mr. HENRY: \$300,000. I could find no report on that.

Sir HENRY THORNTON: I might say in connection with that, that we made certain changes at each end of the bridge to facilitate the collections of fares and tickets, which materially expedited the traffic over the bridge, and I presume that it is fairly satisfactory because I do not recall having any complaints within the last twelve months. Of course, there was also the question of whether we were justified in spending a very large sum in equipping the bridge for additional traffic, when we were confronted with the possibility of another bridge being built immediately, which would relieve the situation.

Sir HENRY DRAYTON: To what peak per hour does this work up?

Mr. HENRY: Around 600 now, I think. The capacity under the rearrangement is a little over 800 vehicles per hour in one direction.

Sir HENRY THORNTON: It makes a pretty busy highway.

Sir HENRY DRAYTON: Indeed it does. If you are getting them over at that rate, you are not doing badly at all.

The CHAIRMAN: Are there any other returns to be handed in, Mr. Henry?

Mr. HENRY: Sir Henry Drayton and Mr. Jelliff asked for the nationality of the immigrants.

Sir HENRY THORNTON: This is divided by countries. Shall we file it?

The CHAIRMAN: Yes. It will go in the record.

Question asked by Sir Henry Drayton and Mr. Jelliff on June 9:

Q. What number of immigrants from each country in Europe were brought into Canada during 1925 by the Canadian National Railways?

—A.

British Isles.. . . .	3,921
Belgium.. . . .	50
Czecho Slovakia.. . . .	431
Denmark.. . . .	464
France.. . . .	41
Germany.. . . .	379
Holland.. . . .	98
Hungary.. . . .	928
Italy.. . . .	Nil
Jugo Slavia.. . . .	752
Poland (Poles).. . . .	770
Poland (Polish Ukrainians).. . . .	540
Switzerland.. . . .	40
Scandinavia (Finland, Sweden, Norway).. . .	1,168
Total.. . . .	<u>9,582</u>

Mr. HENRY: Mr. Jelliff also asked about the number of farms sold by the Railway during 1925. I have that statement here.

The CHAIRMAN: File it and put it in the record.

Question asked by Mr. Jelliff on June 9th:

Q. How many farms were sold by the Canadian National Railways during 1925 and how many of these farms involved land of the Canadian National Railways?

A. In 1925 the Canadian National Railways sold 396 farms, comprising 75,448 acres. Of these, 354 farms involved land of the Canadian National Railways, comprising 64,881 acres. The difference between this latter figure and the number of acres reported sold as shown in the Annual Report is accounted for by the sale of 1,786 acres for right-of-way, school sites, roads, etc.

Mr. HENRY: Sir Henry Drayton asked regarding the mileage of the railway in the Maritime Provinces. He asked for the mileage by regions; that can be easily calculated. I have the statement here of the totals.

Question asked by Sir Henry Drayton—June 15th, 1926:

In connection with taxation matters, Sir Henry Drayton asked:

Q. What is the mileage of the Canadian National Railways in the Maritime Provinces?

A.

Prince Edward Island.. . . .	276.26
Nova Scotia.. . . .	1,012.25*
New Brunswick.. . . .	1,247.94†

*Including 1.02 miles of trackage rights. †Including 14.62 miles of trackage rights.

Sir HENRY DRAYTON: Then I asked about the Gananoque matter last night. Did you get that information?

Mr. HENRY: Yes, that is leased at a rental of \$1,200 a year to the Thousand Island Navigation Company of Kingston. The wharf belongs to us, and we rent it for \$1,200 for the season.

Sir HENRY DRAYTON: How long does the lease run?

Mr. HENRY: From year to year.

Sir HENRY DRAYTON: Has it been going on at that rate right along?

Mr. HENRY: It was recently increased from \$1,000 to \$1,200.

The CHAIRMAN: Is there anything more?

Mr. JELLIFF: I think I asked Sir Henry (Thornton) and Mr. Henry also, if they could make some statement as to the disposition made of monies received from the government for bond issues, and so on, which would explain what had become of these monies. A while ago in the House of Commons a speech was made by a member, in which he said he was unable to account for \$250,000,000 of this money, and I would like a general statement from the head of the Railway, or his accountants, to explain that situation away.

Sir HENRY THORNTON: Mr. Jelliff, it has been very difficult to follow that particular speech, because, without wishing to be critical at all, there were so many omissions, and the figures themselves were put together so inaccurately, that it was an extremely difficult thing to criticise it, or, to put it perhaps in a better way, it was an extremely difficult thing to analyze. A statement has been prepared which can be put on the record, explaining the situation as well as we can, having regard to the statements that were made.

Mr. JELLIFF: Will you place it on the record?

The CHAIRMAN: Will that be satisfactory?

Mr. JELLIFF: Yes.

Hon. Mr. DUNNING: There is this about it: I undertook, as Sir Henry Drayton will remember, to see what I could do with regard to the statement in the House on the matter, and I found on going over it, that the basis of the statement made is so far afield from any figures, that it is impossible to try to analyze it, almost as impossible as to try to analyze the telephone book, in relation to the accounts of something. It would perhaps facilitate matters if the whole statement could be put in, so that the Member in question can himself see where he doubled, and trebled, and omitted—it is really terribly difficult to get at that. I do not assume that the Member himself was responsible for the preparation; someone was advising him, and that someone was away off.

The CHAIRMAN: If this goes on the record, he can deal with it when the estimates come up in the House.

Mr. BOYS: If this is not brought out by questions and answers, would it not be fair, before a lengthy criticism of his speech is made in the House, that he have an opportunity of seeing this statement, and be given some opportunity to protect himself?

*Sir HENRY THORNTON: I venture this suggestion, that if we come to a discussion of that speech in this committee, I do not know when we will get away, and I was wondering if we could not reach the desired objective without rehashing it all over.

Mr. BOYS: He happens to be a Member on our side of the House, and I feel a little touch of responsibility for him.

Hon. Mr. DUNNING: I am simply desirous of being more than fair.

Mr. BOYS: It does not seem to me as though it would be quite in order, before the officials of the company, if you will, or the department, take a Member's speech made in the House of Commons, and deal with it, and prepare a statement criticizing it, showing its errors, if there be any, that it be placed *holus bolus* in the record.

The CHAIRMAN: My idea was that if it goes into the record he could read it, and then if he desires, he can deal with it in the House on the estimates.

Mr. BOYS: There is a great difference between a man having the opportunity of making a speech in the House and getting the opportunity of dealing with the matter in this committee, if it is to be dealt with at all.

Sir HENRY DRAYTON: May I suggest this? The Minister will have a copy of that statement; why not send the Member a copy also, and keep it all off the record, and let him handle it as he sees fit?

Hon. Mr. DUNNING: I will be glad to do that, but I must confess that if we were to get into a discussion either in the House or the committee, it would be interminable, because of the differences—and I use the word “differences” advisedly—which are so complex and complicated.

Mr. BOYS: We are not sitting here in judgment on any Member of the House of Commons. It may be that certain statements have been made which are incorrect—

Hon. Mr. DUNNING: Yes, but it is a serious thing for a Member, on his responsibility, to say that \$250,000,000 have disappeared. That surely would be a matter for this committee.

Mr. BOYS: May I meet that point right there? I appreciate fully what you say. No doubt that is fair, but would it not be sufficient to say that the statement is not correct? Supposing Sir Henry Thornton is giving evidence; you or anybody else might ask him if the statement is correct, and if he says it is not, leave the matter for discussion in the House. What has been said appears to be fair. Is there any objection to the Member seeing the statement?

Sir HENRY THORNTON: Certainly not.

The CHAIRMAN: Mr. Nicholson's speech is on Hansard, and is open to the public. The answer from the company does not appear on the record.

Mr. BOYS: Yes, but of course the Member, or any Member of the House, could utilize that statement in the House of Commons, and put it on record there.

The CHAIRMAN: I thought this might be done to save time.

Mr. JELLIFF: Mr. Chairman, there was no intention on my part of criticizing the speech of Mr. Nicholson's. As a matter of fact, he and I have talked about this, and he wanted this information, and wanted it from the officers of the company, so I asked for it.

Sir HENRY THORNTON: The figures are accurate, but they are prepared hastily, and if this is going to be submitted in the way it is suggested, I would like to revise the statement, not in so far as the figures are concerned, but merely to boil it down and extract the meat from it, and then it can be presented to Mr. Nicholson or anybody else.

Sir HENRY DRAYTON: We already have it on the record that the company says that statement is incorrect. How would it be for Mr. Henry to see Mr. Nicholson this afternoon about the statement, and I think that would be all you would ever hear about it.

Hon. Mr. DUNNING: I was going to suggest that Mr. Nicholson be invited here to-morrow, and we might then determine what policy to pursue.

Sir HENRY DRAYTON: Why not send for him now?

Mr. HEAPS: Give him a chance to see the statement first.

Hon. Mr. DUNNING: Let some one give him the statement—

The CHAIRMAN: Then it is understood the statement goes to Mr. Nicholson?

Mr. BOYS: Let me have it, and I will undertake to see that he gets it. (Document handed to Mr. Boys.) Am I further to communicate to him that if he desires to appear before this committee to-morrow, he will be heard?

The CHAIRMAN: Are there any other returns, Mr. Henry?

Mr. HENRY: That is all.

The CHAIRMAN: We might proceed then with the estimates which were brought up some days ago.

Sir HENRY DRAYTON: We did not finish the examination of these figures. I think Mr. Dunning probably will have another statement to make in the House.

Hon. Mr. DUNNING: What is that?

The CHAIRMAN: He says we have not finished the examination of these figures and possibly you may have another statement to make in the House.

Sir HENRY DRAYTON: The figures we had up the other day were about the bond guarantee.

Mr. COOPER: You asked me for a statement showing the disposition of the guarantee bonds issued in 1920 to 1925. This is the statement.

Sir HENRY THORNTON: Is this to be filed?

The CHAIRMAN: Do you want this filed, Sir Henry, or put in the record?

Sir HENRY DRAYTON: This is a subject that was brought up by me as a result of a question by the Minister, as to the application, how it was going into new investment. I suppose the first thing to do would be to get to understand what the statement means. The first column: "Investment expenditures"—I suppose that means just what it says?

Mr. COOPER: Investment in road-way and equipment.

Sir HENRY DRAYTON: That is what that is. The next column is "Redemption of Debt due to the Public"; that speaks for itself also; I do not think we can have any trouble about that. The next "Repayment to Government." What do you mean by that?

Mr. COOPER: Cash received from the government to pay off current liabilities and increase our Materials and Supply Account.

Sir HENRY DRAYTON: Take, for example, that year 1921-22, what was the increase in your Supply Account?

Mr. COOPER: I have not got that here.

Sir HENRY DRAYTON: Well, you say that is what this means. I want to find out what it does mean. You say your working capital means nine million plus, based on two items. I ask you now as to one item; what is your increase, if any, in your Supply Account?

The CHAIRMAN: He says he has not it here, Sir Henry. Can you make an approximate statement?

Mr. COOPER: No.

Sir HENRY DRAYTON: Then, "Discount Interest Deficits." That, of course, also speaks for itself; that means the interest the system was not able to pay?

Mr. COOPER: Yes, sir.

Sir HENRY DRAYTON: And that sort of thing? And then the resultant total is \$61,000,000. Now, in connection with the figures of that first year; that is the first year, by the by, that we have no investment expenditure. In connection with the total for that year, take that year '22, you received from the Government in '22—

Hon. Mr. DUNNING: '21-'22 is the fiscal year, is it not, Mr. Cooper?

Mr. COOPER: The fiscal year, yes.

Sir HENRY DRAYTON: Fiscal year ending 31st March, '22. You received from the Government that year in cash, \$97,000,000 plus.

Mr. COOPER: Yes, \$97,950,000.

Sir HENRY DRAYTON: In connection with allocation. Am I not fair in saying this; that payments are made out of a general fund, whatever you have available, and allocated afterwards?

Mr. COOPER: Yes, that is correct.

Sir HENRY DRAYTON: That is correct. When were these allocations made which we have here for the fiscal year '22?

Mr. COOPER: Are you speaking of the cash, now?

Sir HENRY DRAYTON: No, the whole thing.

Mr. COOPER: They are generally made at the end of the fiscal year.

Sir HENRY DRAYTON: Do you mean the Dominion fiscal year, or your fiscal year?

Mr. COOPER: The fiscal year.

Sir HENRY DRAYTON: The Dominion's or yours?

Mr. COOPER: The Dominion.

Sir HENRY DRAYTON: The Company's fiscal year is the calendar year?

Mr. COOPER: The calendar year.

Sir HENRY DRAYTON: These adjustments would be made probably in March of that year?

Mr. COOPER: Subsequent to March.

Sir HENRY DRAYTON: That is when these adjustments were made? Now, then, as a result of Government assistance in that year, and again following, you received \$97,950,645 in cash and guaranteed bonds of \$61,000,000?

The CHAIRMAN: That is correct, apparently.

Mr. COOPER: That is correct, yes.

Sir HENRY DRAYTON: Making a grand total of \$158,000,000 plus, is it not?

Mr. COOPER: Yes.

Hon. Mr. DUNNING: I do not understand that.

Sir HENRY DRAYTON: The total government assistance.

Hon. Mr. DUNNING: The cash was \$97,000,000?

Mr. COOPER: \$97,000,000.

Hon. Mr. DUNNING: And guarantee of \$61,000,000?

Sir HENRY DRAYTON: The Minister wants the exact figures; \$97,950,-645.36.

Hon. Mr. DUNNING: I have it here, Sir Henry.

Sir HENRY DRAYTON: In order to get at this, Mr. Cooper, the allocations we have here, we have to have the total allocation; it is all in the one pot, as you have just told me. What were the allocations for that \$97,000,000 odd? We have total allocations to make of \$158,000,000 before we know what you did. We get nowhere by taking a bit of the thing.

Mr. COOPER: I can put in a further statement showing the allocation of the cash loans, guaranteed bond issues and the unguaranteed bond issues in the same year.

Sir HENRY DRAYTON: Very good, that would make that definite.

The CHAIRMAN: Do you want that filed?

Sir HENRY DRAYTON: Before I pick up that other statement, what was the three million odd investment in the fiscal year March '22, \$3,900,000?

Mr. COOPER: In what?

Sir HENRY DRAYTON: The investment.

Mr. COOPER: Investment in road and equipment. I could not go into further details than that.

Sir HENRY DRAYTON: What was your authority for paying that sum, making that allocation against that guaranteed loan; what was your authority for doing that?

Mr. COOPER: It means that certificates against capital expenditures were paid on those particular guarantees.

Sir HENRY DRAYTON: It is a matter of allocation; we know how it is paid. You told me it goes into a common fund and you pay out of your one fund and then you allocate afterwards.

Mr. COOPER: It is not quite right, Sir Henry; disbursements are made out of a common pot and the common pot is reimbursed definitely out of the proceeds of cash loans.

Sir HENRY DRAYTON: You cannot tell me then what that was? Now then, take it in the year '24 when instead of nearly three million odd we have \$55,000,000 odd; what was that investment in? Have you not anything more definite there?

Mr. COOPER: Investment in road and equipment.

Sir HENRY DRAYTON: And in '25 you have got there \$33,000,000 odd. What is that investment in?

Mr. COOPER: The same thing.

Sir HENRY THORNTON: The total of that ought to be given.

Mr. COOPER: Oh, yes, it would be tremendous.

Sir HENRY DRAYTON: This is a supplementary statement, is it?

Mr. HENRY: That is a summary, Sir Henry, of the whole thing.

Sir HENRY DRAYTON: That is a summary of the whole thing. Suppose we get an explanation of this.

Sir EUGENE Fiset: In fairness to the witness; he can furnish you with full details of this if you want them.

Mr. COOPER: They could be produced but it would take a long time.

Sir EUGENE Fiset: You are just giving the headings.

Mr. COOPER: Certainly.

Hon. Mr. DUNNING: They are included, are they not, in the estimates as presented to Parliament in the year prior to the year in which the expenditure was made?

Mr. COOPER: Included in the estimates.

Mr. HENRY: Such as are found on page 23 of the Annual Report.

Sir HENRY DRAYTON: The difficulty is that it is always lumped, it is not car-marked in any way at all. Well now, this other statement, "Investment Expenditure"—that is the same as the other only it is to cover the whole field, is it not? "Redemption of Debt to Public," that would be the same as the other only for the whole field, I suppose? "Repayment to Government" and "Working Capital," "Discount Interest Deficits," "Receipts by Government applicable against aid to Railways in prior years etc."

Mr. COOPER: These are amounts received by the Government. Some of them came out of the proceeds of the guaranteed issues and most of them came out of the proceeds of unguaranteed bonds. They are shown as distributions against bonds and as credits against cash.

Sir HENRY DRAYTON: That is the details of your distribution?

Mr. COOPER: It is out-going on the one hand, and in-coming on the other hand.

Sir HENRY DRAYTON: It means you have not got that much of these different loans, is that what you mean? The full amount of the loan did not come to you, some of it rested with the Government?

Mr. COOPER: Some of it was repaid to the Government.

Sir HENRY DRAYTON: Your cash balances—there is not very much turning on that, I take it. Then, take the year 1920; you have no difficulties there at all, your guarantees and your retirements are just the same.

Mr. COOPER: No, there is a greater redemption of debt in that year than guaranteed bonds issued in that year.

Sir HENRY DRAYTON: There was six million dollars extra, but on the statement you show me it is just the same.

Mr. COOPER: You are looking at one statement. You look at the summary and you will see there is an additional amount.

Sir HENRY DRAYTON: What is the idea of drawing up two statements; it seems to me one rather goes against the other?

Mr. HENRY: The first one, Sir Henry, includes only guarantees. The third one you have includes three things; summary of the guarantees, cash loans and the unguaranteed.

Sir HENRY THORNTON: I do not think Sir Henry has a complete copy.

Sir HENRY DRAYTON: This looks as though it was complete.

Mr. HENRY: That is the only one, that is the summary there.

Sir HENRY DRAYTON: Supposing you come then to '20. You have in '20 a total guarantee of \$17,109,027, and you have a total of how much.

Mr. HENRY: \$23,200,000; it is over here in the second column.

Sir HENRY DRAYTON: I would not have thought that was it. Is it not \$22,900,000?

Mr. HENRY: No, \$23,223,000.

Sir HENRY DRAYTON: Which column do you find that in?

Mr. HENRY: Over here, that column; (indicating) the sum of those two.

Sir HENRY DRAYTON: Oh, yes, you have not got it carried out.

Mr. HENRY: No, it is not carried out.

Sir HENRY DRAYTON: The sum of those two, I see. Then the next year, that is '20-'21, what were the amounts of guarantees that year?

Mr. COOPER: \$50,000,000.

Sir HENRY DRAYTON: And what was the amount of the returns?

Mr. COOPER: \$56,382,626.17.

Sir HENRY DRAYTON: This is '21-'22.

Mr. COOPER: \$61,000,000 of guarantees and \$48,871,443.41 of redemption of that to the public?

Sir HENRY DRAYTON: Well then, your figures, although giving more details absolutely coincides with the figures in Hansard at the pages of these years?

Mr. COOPER: Yes, except for that year, 1920.

Sir HENRY DRAYTON: And the difference in 1920 is what, again?

Mr. COOPER: \$6,114,237.42. You do not see the figure there for 1920.

Sir HENRY DRAYTON: That is the amount here; for redemption purposes you show the total, which you have already given us, of how much?

Mr. COOPER: \$6,114,237.42. \$17,109,027. You speak of the cash as having being used for redemption, only \$6,000,000 of that was used for redemption.

Sir HENRY DRAYTON: That is an error there in Hansard. What I was getting at was merely that the full amount of that guarantee had been used, not all cash, for a minute; I knew it had not. It seems to me these should go in because they give you details.

The CHAIRMAN: It can be filed. You do not want it to go into the record particularly, it will take up a lot of room.

Sir HENRY DRAYTON: Well, give the Minister a copy and let me have a copy; you need not bother about filing it. The main thing that I wanted to find out really was whether those figures as shown in that statement were correct and apparently they were correct.

Hon. Mr. DUNNING: I am not admitting that.

Sir HENRY DRAYTON: I do not want you to admit it, that is what the witness says.

Hon. Mr. DUNNING: The witness does not say that.

Mr. COOPER: I said the figures shown were correct with the exception of the fiscal year 1920.

Sir HENRY DRAYTON: You give the correction now for that fiscal year.

Mr. COOPER: The redemption of debt to the public out of cash loans and bond issues in that year was \$23,223,264.42, but I said in my previous evidence those figures did not take account of the guarantees given except under the Grand Trunk Acquisition Act.

Sir HENRY DRAYTON: That is quite right. I was going to ask you how much you had taken into your books at the time we got that property?

Mr. JELLIFF: These statements will all be on the record; it is all Greek to us sitting here?

The CHAIRMAN: Does the Committee ask that all these be placed on the record?

Sir EUGENE Fiset: It is very interesting. If the subject is going to be brought up to date, including 1920, it is very interesting even if it is only to check Sir Henry's (Drayton) figures.

Sir HENRY DRAYTON: I am quite content to have it go on the record.

The CHAIRMAN: Does the Committee desire these figures all to be put on the record?

Sir EUGENE Fiset: Only the last sheet?

The CHAIRMAN: The general statement.

Sir EUGENE Fiset: Exactly.

Mr. JELLIFF: Put them all in so that we can study them.

The CHAIRMAN: Very good, put them all in.

CANADIAN NATIONAL RAILWAYS

GUARANTEED BOND ISSUES 1920-1925

—	Investment Expenditures	Redemption of Railway Debt to Public	Repayment to Government	Working Capital	Discount Interest Deficits	Cash Balance	Total
	\$ cts.	\$ cts.	\$ cts.	\$ cts.	\$ cts.	\$ cts.	\$ cts.
1919-20.....		17,109,027 00					17,109,027 00
1920-21.....		47,477,917 80	1,466,044 16		1,056,038 04		50,000,000 00
1921-22.....	3,903,030 65	25,722,285 94	1,975,373 27	9,152,963 62	20,246,346 52		61,000,000 00
1922-23.....							
1923-24.....	55,240,317 04	11,469,369 69			5,063,127 25	A 727,186 02	72,500,000 00
1924-25.....	33,761,401 11	24,007,533 33			13,256,512 33	X 9,974,553 20	81,000,000 00
	92,904,748 83	125,786,133 76	3,441,417 43	9,152,963 62	39,622,024 14	10,701,739 22	281,609,027 00

NOTE —

A. Cash on hand March 31, 1925, since used for refunding.

X. \$1,993,705.76 Cash on hand March 31, 1925 since used for refunding.

\$7,980,847 11 Cash on hand from \$18,000,000 issue of which \$6,000,000 temporarily loaned to General Cash.

CANADIAN NATIONAL RAILWAYS

UNGUARANTEED BOND ISSUES 1920-1925

—	Investment Expenditures	Redemption of Railway Debt to Public	Repayment to Government	Working Capital	Discount Interest Deficits	Cash Balance	Total
	\$ cts.	\$ cts.	\$ cts.	\$ cts.	\$ cts.	\$ cts.	\$ cts.
1919-1920.....	2,085,742 84		22,914,257 16				25,000,000 00
1920-1921.....	27,000,000 00						27,000,000 00
1921-1922.....							
1922-1923.....							
1923-1924.....							
1924-1925.....	9,375,000 00						9,375,000 00
	38,460,742 84		22,914,257 16				61,375,000 00

CANADIAN NATIONAL RAILWAYS

CASH LOANS—1920-1925

—	Investment Expenditures	Redemption of Railway Debt to Public	Working Capital	Discount Interest Deficits	Receipts by Government Applicable against aid to Railways in prior years, etc.	Total
	\$ cts.	\$ cts.	\$ cts.	\$ cts.	\$ cts.	\$ cts.
1919-1920.....	39,317,326 42	6,114,237 42	2,561,091 69	23,746,452 13	25,958,417 39	45,780,690 27
1920-1921.....	38,602,060 76	8,904,708 37	11,501,419 22	51,318,106 17	666,696 16	109,662,655 36
1921-1922.....	26,160,639 48	23,149,157 47	13,939,200 30	37,543,426 84	2,841,778 73	97,950,645 36
1922-1923.....	18,214,940 49	25,275,902 04		37,187,336 76	2,814,243 00	77,863,936 29
1923-1924.....	7,943,457 18			16,606,542 82	839,383 30	23,710,616 70
1924-1925.....	5,321,302 65			4,678,697 35	65,547 36	9,934,452 64
	135,559,726 98	63,444,005 80	28,004,711 21	171,080,619 07	33,186,065 94	364,902,996 62

CANADIAN NATIONAL RAILWAYS
CASH LOANS, GUARANTEED AND UNGUARANTEED BOND ISSUES, 1920-1925

	Investment Expenditure	Redemption of Debt to Public	Repayment to Government	Working Capital	Discount Interest Deficits	Receipts by Government applicable against aid to Railways in prior years, etc.	Cash Balances	Total
	\$ cts.	\$ cts.	\$ cts.	\$ cts.	\$ cts.	\$ cts.	\$ cts.	\$ cts.
1919-20 Cash Loans.....	39,317,326 42	6,114,237 42		2,561,091 69	23,746,452 13	25,958,417 39		45,780,090 27
Guaranteed Bonds.....		17,109,027 00						17,109,027 00
Unguaranteed Bonds.....	2,085,742 84		22,914,257 16					25,000,000 00
1920-21 Cash Loans.....	38,602,060 76	8,904,708 37		11,504,419 22	51,318,163 17	666,696 16		109,662,655 36
Guaranteed Bonds.....		47,477,917 80	1,466,044 16		1,056,038 04			50,000,000 00
Unguaranteed Bonds.....	27,000,000 00							27,000,000 00
1921-22 Cash Loans.....	26,160,639 48	23,149,157 47		13,939,200 30	37,543,426 84	2,841,778 73		97,950,645 36
Guaranteed Bonds.....	3,903,030 65	25,722,285 94	1,975,373 27	9,152,963 62	20,246,346 52			61,000,000 00
1922-23 Cash Loans.....	18,214,940 49	25,275,902 04			37,187,336 76	2,814,243 00		77,863,936 29
Guaranteed Bonds.....								
1923-24 Cash Loans.....	7,943,457 18				16,606,542 82	839,383 30		23,710,616 70
Guaranteed Bonds.....	55,240,317 04	11,469,369 69			5,063,127 25		727,186 02	72,500,000 00
1924-25 Cash Loans.....	5,321,302 65				4,678,697 35	65,547 36		9,934,452 64
Guaranteed Bonds.....	33,761,401 14	24,067,533 33			13,256,512 33		19,974,553 20	81,000,000 00
Unguaranteed Bonds.....	9,375,000 00							9,375,000 00
TOTAL CASH.....	135,559,726 98	63,444,005 30		28,004,711 21	171,080,619 07	33,186,065 94		364,902,996 62
TOTAL GUARANTEED BONDS.....	92,904,748 83	125,786,133 76	3,441,417 43	9,152,963 62	59,622,624 14		10,701,739 22	281,609,027 00
TOTAL UNGUARANTEED BONDS.....	38,460,742 84		22,914,257 16					61,375,000 00
TOTAL.....	266,925,218 65	189,230,139 06	26,355,674 59	37,157,674 83	210,702,643 21	33,186,065 94	10,701,739 22	707,887,923 62

NOTE:—A. Cash on hand, March 31, 1925, since used for refunding.

X. \$1,993,705.76 cash on hand March 31, 1925, since used for refunding.

\$7,980,847.44 cash on hand from \$18,000,000 issue of which \$6,000,000 temporarily loaned to General Cash.

Hon. Mr. DUNNING: I have just one question to ask of Mr. Cooper in relation to that statement. Mr. Cooper, you mention that that, of course, did not include the \$216,000,000 of bond guarantees in connection with the Grand Trunk acquisition?

Mr. COOPER: Yes, sir.

Hon. Mr. DUNNING: They were, of course, guarantees of existing bonds?

Mr. COOPER: Bonds and stocks.

Sir HENRY DRAYTON: Now, do not put the wrong words in his mouth. There were no bonds there at all. They were stocks.

Hon. Mr. DUNNING: All stocks?

Mr. COOPER: There was debenture stock and Grand Trunk preference stock, guaranteed stock, I should have said.

Sir HENRY DRAYTON: That is right.

Mr. COOPER: One was interest bearing stock and the other was dividend bearing stock.

Mr. DUNNING: The interest bearing stock was practically similar to a bond?

Mr. COOPER: Yes.

Sir HENRY DRAYTON: Well, no, it is not; the stockholder merely has a preference, he is not a creditor.

Mr. COOPER: I am speaking of the debenture stock.

Sir HENRY DRAYTON: He is not a creditor. They were not bonds; he was entitled to his interest as a first charge.

Hon. Mr. DUNNING: My point is that the total amount of \$216,000,000—in fact, after the Grand Trunk acquisition the shareholders or debenture holders, as the case may be, they were guaranteed by the Government; that is correct, is it not?

Mr. COOPER: Yes.

Hon. Mr. DUNNING: What was formerly a dividend based on earnings and receivable only upon earnings, we might say was, in fact, safe for the investor; he got it anyway.

Sir HENRY DRAYTON: To the extent of our guarantee.

Hon. Mr. DUNNING: To the extent of the guarantee when the guarantee was with respect to that \$216,000,000?

Mr. COOPER: No, sir.

Hon. Mr. DUNNING: Tell me what it was.

Mr. COOPER: There was \$155,373,808 of debenture stock.

Hon. Mr. DUNNING: \$155,000,000.

Mr. COOPER: Yes. The stockholders received the interest on that. There was \$60,833,333 of guaranteed stock. He received his dividend if earned prior to the guarantee, but subsequent to the guarantee he was assured of it.

Hon. Mr. DUNNING: After that guarantee was given for the Grand Trunk, in subsequent years was it necessary to use any of the moneys advanced in cash by the Government, or secured by way of the sale of guaranteed bonds, for the purpose of meeting the obligation of interest on this \$216,000,000?

Mr. COOPER: To the extent if the road failed to earn it.

Hon. Mr. DUNNING: And it did, in fact, fail to earn it?

Mr. COOPER: It did, yes.

Sir HENRY DRAYTON: You said cash or guarantee?

Mr. CLARK: In this western region, the freight operating results, what was the total? I have just forgotten the total net operating revenue on the whole system last year?

Sir HENRY THORNTON: \$32,264,000.

Mr. CLARK: Does this analysis show the total operating net revenue earned in the western region?

Mr. HENRY: That only refers to freight revenue.

Mr. CLARK: How did the other traffic make out in the west, last year?

Mr. HENRY: I will put a statement on the record as to that. Operating revenues for 1925 were \$71,194,063. Operating expenses were \$65,165,278.

Mr. CLARK: That is on the western region?

Mr. HENRY: That is on the western region.

Mr. CLARK: What does that leave it net?

Mr. HENRY: About \$6,020,000.

Sir HENRY DRAYTON: \$6,000,000 roughly.

Mr. CLARK: Can the statement I asked for, which arises out of this—

The CHAIRMAN: It will be put in the record. Do you wish to go on with the estimates?

Mr. HEAPS: I understand the officials of the company are anxious to get away.

The CHAIRMAN: By which you mean we ought to go on?

Mr. HEAPS: If we possibly can.

The CHAIRMAN: Very good, go on with the estimates. We are considering item 372, in the estimates, "Loans to Canadian National Railway Company," not exceeding \$31,000,000. We were discussing that last week, now we are coming back to it.

Hon. Mr. DUNNING: Mr. Henry was going to give us particulars.

The CHAIRMAN: Are you ready with the particulars, Mr. Henry?

Sir HENRY DRAYTON: We have the figures, we might get the details as to what the figures mean.

Mr. HENRY: I have already read the details into the record.

Hon. Mr. DUNNING: It is now nearly a quarter to one. This is very important, I wonder if we could agree that the Committee would meet tomorrow and touch nothing else but this item, to give us time to analyse it?

Sir HENRY DRAYTON: Let us see if we cannot get through with it this morning. Let us look at it practically, and get the net financial requirements, which does not mean exactly what it says. Last year the amount involved was \$17,600,000; this year they are asking for \$14,072,000, for net financial requirements. I know the system has to get it. Let us pass that item. Mr. Dunning, do not you think we should pass that item?

Carried.

Sir HENRY DRAYTON: "New Equipment."

The CHAIRMAN: Have you a statement as to that, Mr. Henry?

Mr. HENRY: Yes. (Produced.)

Sir HENRY THORNTON: This consists of 50 express refrigerator cars; 60 freight refrigerator cars; 40 tank cars; one electric locomotive; 15 milk cars; 2 gas electric motor coaches; 12 forty-ton automobile cars.

Hon. Mr. DUNNING: The Committee understands the method of financing.

Sir HENRY THORNTON: When I say 1,200, that is 1,200 more or less.

Hon. Mr. DUNNING: With regard to the item of \$3,000,000.—"Equipment."

The CHAIRMAN: Is that satisfactory?

Carried.

Sir HENRY DRAYTON: We ought to get particulars of the \$14,000,000 item.

Mr. HENRY: I have already read into the record that the \$14,000,000 is the net figure.

The CHAIRMAN: The final item is \$1,200,000, discount on securities. That completes it, gentlemen, does it not?

Sir HENRY DRAYTON: General Clark has pointed out that he has not had a chance to consider as to "General Betterments throughout the System." We have not got that information.

Sir HENRY THORNTON: I do not see the details on this statement, but it is all here.

Sir HENRY DRAYTON: I think we should get the information if it has to go over until to-morrow. If we can get these particulars this afternoon, I think we can get through quite quickly to-morrow.

The CHAIRMAN: We cannot complete the work to-day.

Sir HENRY DRAYTON: I think we could get in fair shape for closing to-morrow. Is there any new expenditure in that item?

Sir HENRY THORNTON: "Current requirements."

Sir HENRY DRAYTON: Probable deficits.

Sir HENRY THORNTON: It is additions and betterments. There will be some new apparatus or furnishings.

Sir HENRY DRAYTON: It does not mean new hotels, or extensions to hotels.

Hon. Mr. DUNNING: It might.

Sir HENRY THORNTON: It includes some extensions at Jasper Park and Minaki.

Mr. HEAPS: How is the Minaki hotel making out?

Sir HENRY THORNTON: It was burnt last year, it has just been rebuilt, and we have just started.

Mr. HUNGERFORD: It is not yet completely rebuilt, but is in shape to open.

Sir HENRY DRAYTON: As to the Central Vermont, can we get out of that at all? We lost money on it last year and will have to make further expenditure now.

Sir HENRY THORNTON: The only point about the Central Vermont is, if we were to abandon that road it would close, to a large degree, the New England States to us. There is a valuable traffic that comes from the Central Vermont, and while it is true that a net deficit is shown with respect to the Central Vermont Railway, it would be fatal to abandon that property.

Sir HENRY DRAYTON: We gave the Central Vermont a loan of \$822,000, and they paid \$706,000. That \$706,000 has been taken into the accounts as if that much cash were held.

Sir HENRY THORNTON: Yes.

Sir HENRY DRAYTON: I think the Committee ought to insist that the entry should simply show the amount of the net balance.

Sir HENRY THORNTON: That is precisely the policy we have decided upon. I do not wish to have placed on the record the situation as regards the Central Vermont.

Hon. Mr. DUNNING: It is hard for me to understand why the Central Vermont is not in the same position as the Grand Trunk Western; why cannot it be placed in the same position?

Sir HENRY THORNTON: That is precisely what we will do this year, but I do not want to blot out that railway as a corporation.

Hon. Mr. DUNNING: It is understood that the commitments of the road are being ironed out so that they will not be inherited by the Canadian National Railways.

Sir HENRY THORNTON: It is being arranged that the commitments will appear under a proper method of accounting, in the annual report.

Mr. CLARK: I should like to have an answer to the question in connection with the Merchant Marine. I should like to remind Sir Henry Thornton as to that.

The CHAIRMAN: Information was to be furnished.

Mr. CLARK: Last year the deficit was not as great as it was the year before; the deficit had been decreased by reason of the fact that certain routes had been abandoned and others substituted. A statement in regard to that was to be furnished, without making mention of the routes.

The CHAIRMAN: It was filed and is now on the record. Shall we adjourn, gentlemen?

Sir HENRY THORNTON: Mr. Chairman, Mr. Henry and I must get back to Montreal to-night in some way. We both have a very important meeting, and if the Committee would not consider our absence a matter of discourtesy, and if we leave our officers here, who are able to deal with the situation, could we be excused?

The CHAIRMAN: I think it is quite possible. Is there anything likely to arise in connection with the figures that will necessitate Sir Henry Thornton being here?

Hon. Mr. DUNNING: Are we agreed that to-morrow we will go on with the item of \$14,000,000 for "Betterments"?

Sir HENRY THORNTON: I think that about ends it, if that item is cleaned up.

Mr. CLARK: I think it is of some importance to my problem to deal with the analysis, and I cannot proceed to examine as to that until the supplementary statement is ready.

The CHAIRMAN: In your opinion, will it be necessary for Sir Henry Thornton and Mr. Henry to be here?

Mr. CLARK: No.

Hon. Mr. DUNNING: Can we agree to deal first with the item of \$14,000,000?

The CHAIRMAN: Yes. We will adjourn until to-morrow morning at eleven o'clock.

The Committee adjourned until June 17th at 11 o'clock, a.m.

SESSION 1926
HOUSE OF COMMONS

SELECT STANDING COMMITTEE

ON

RAILWAYS AND SHIPPING

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 13—JUNE 17, 1926

WITNESSES:

T. H. Cooper, General Auditor.

R. A. C. Henry, Bureau of Economics.

C. B. Brown, Chief Engineer, Maintenance Dept.

OTTAWA
F. A. ACLAND
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
1926

ORDER OF REFERENCE

HOUSE OF COMMONS,

WEDNESDAY, May 19, 1926.

Resolved,—That Rule 10 of the House of Commons relating to the appointment of the Select Standing Committees of the House be amended by adding to the Select Standing Committees of the House for the present session a Select Standing Committee on Railways and Shipping owned, operated and controlled by the Government, to which will be referred the estimates of the Canadian National Railways and the Canadian Merchant Marine for the present session, for consideration and for report to the House, provided, however, that nothing in this resolution shall be construed to curtail in any way the full right of discussion in Committee of Supply; and that the said Committee consist of Messrs. Bell (St. Antoine), Boys, Campbell, Clark, Drayton, Dunning, Euler, Fiset, Harris, Heaps, Jelliff, Jones, Johnston, Power and Robichaud.

Attest.

ARTHUR BEAUCHESNE,

Clerk of the House.

REPORTS

HOUSE OF COMMONS,

WEDNESDAY, May 26, 1926.

First Report: Mr. Euler, from the Select Standing Committee on Railways and Shipping owned, operated and controlled by the Government, presented the First Report of the said Committee, which is as follows:—

Your Committee recommends that its minutes of proceedings and evidence be printed from day to day for the use of the members of the Committee and of the House and that Rule 74 be suspended in reference thereto.

Second Report: Mr. Euler, from the Select Standing Committee on Railways and Shipping owned, operated and controlled by the Government, presented the Second Report of the said Committee, which is as follows:—

Your Committee recommends that it be granted leave to sit while the House is in session.

Concurrence: On motion of Mr. Euler, the First and Second Reports of the Select Standing Committee on Railways and Shipping owned, operated and controlled by the Government, were concurred in.

FRIDAY, May 28, 1926.

Third Report: Mr. Euler, from the Select Standing Committee on Railways and Shipping owned, operated and controlled by the Government, presented the Third Report of the said Committee, which is as follows:—

The attention of your Committee having been drawn to the omission of the interim supply voted by Parliament during the present Session, of any part of Items 372 and 373, of the Estimates 1926-27 respecting loans to the Canadian National Railway and the Canadian Government Merchant Marine, Limited;

Your Committee therefore recommends that Parliament grant as interim supply the sum of \$10,000,000 of the said Item 372 and the sum of \$200,000 of the said Item 373.

MONDAY, 14th June, 1926.

On motion of Mr. Euler, the Third Report of the Select Standing Committee on Railways and Shipping owned, operated and controlled by the Government, was referred to the Committee of Supply.

MINUTES OF PROCEEDINGS

HOUSE OF COMMONS,

THURSDAY, June 17, 1926.

The meeting came to order at 11 a.m. Mr. Euler, the chairman presiding.

Members present: Messrs. Clark, Drayton, Dunning, Euler, Fiset, Heaps, Jelliff, Johnston, Power, Robichaud.

Several prepared statements respecting information asked for by members at previous meetings were filed by officers of the Railway Company.

Item 372 of the Estimates, \$31,000,000 was again under consideration and after further evidence of the Railway Company officials had been taken and after discussion by members of the committee, it was moved by Mr. Power seconded by Mr. Heaps, that Item 372 of the Railway Estimates, \$31,000,000, and Item 373 of the Merchant Marine Estimates, \$600,000, which latter had previously been fully considered, be recommended to the House. Carried.

On motion of Mr. Power, a subcommittee composed of the Chairman, Sir Henry Drayton and Mr. Jelliff was appointed to draft and submit the final report at a subsequent meeting.

The meeting then adjourned at the call of the Chair.

A. A. FRASER,

Clerk of the Committee.

MINUTES OF EVIDENCE

COMMITTEE ROOM 268,
HOUSE OF COMMONS,
THURSDAY, June 17, 1926.

The Select Standing Committee on National Railways and Shipping met at 11.00 A.M., the Chairman, Mr. Euler, presiding.

The CHAIRMAN: Order, please. The work of this morning was to be the examination of Item No. 8, \$14,000,000, of the Statement of Particulars of the Budget, 1926-27. Do you want to give this in detail, Mr. Minister?

Hon. Mr. DUNNING: Whatever the committee wants. Mr. Henry is here, and I will have trouble enough dealing with these in the House.

The CHAIRMAN: Mr. Henry, will you please take up this question?

Mr. HENRY: We have already placed on the record a general summary of the items making up the total of \$19,137,284. The relation between that item and the \$14,727,284 is this—I explained it yesterday—the \$14,727,284 plus the new equipment makes \$15,727,284, and there is a difference of \$3,400,000. That represents the amounts of money to meet the \$19,000,000 received from operating expenses through retirements.

Now, we could put in another classification dealing with those general items in a slightly different manner.

Hon. Mr. DUNNING: That is under Item eight of the list?

Mr. HENRY: That is under Item eight.

The CHAIRMAN: We will file the list and have it printed.

CANADIAN NATIONAL RAILWAYS

FINANCIAL AND CAPITAL REQUIREMENTS FOR THE FISCAL YEARS ENDING MARCH 31ST, 1926 AND 1927

Particulars	Original Budget 1925-26	Revised Budget 1925-26	Budget 1926-27
	\$ cts.	\$ cts.	\$ cts.
1. Interest on Funded and Other Debt.....	36,773,698 62	36,125,422 35	36,540,598 34
2. Grand Trunk Pacific Guaranteed Interest.....	1,108,080 00	1,108,080 00	1,108,080 00
3. Sinking Fund Payments.....	151,133 33	172,661 50	165,133 33
4. Equipment Principal Payments.....	7,467,400 00	7,467,400 00	7,397,400 00
5. Dividend on G.T.R. 4% Guaranteed Stock.....	2,433,333 33	2,433,333 33	2,433,333 33
6. Retirement of Capital Obligations.....	1,412,500 00	1,412,500 00	808,000 00
Total Financial Requirements.....	49,346,145 28	48,719,397 18	48,452,545 00
Less: Resources.....	*19,886,770 28	34,098,090 25	34,379,829 00
Net Financial Requirements.....	29,459,375 00	14,621,306 93	14,072,716 00
7. New Equipment.....	1,040,625 00	1,021,256 28	1,000,000 00
8. General Additions and Betterments.....	17,150,000 00	9,483,897 01	14,727,284 00
9. Ontario Electric Lines.....	750,000 00	595,541 58	
10. Discount on Securities to be issued.....	1,600,000 00		1,200,000 00
Total.....	50,000,000 00	25,722,101 80	31,000,000 00

NOTE.—*The amount shown on the Original 1925-26 Budget for resources was \$21,265,997.88 instead of \$19,886,770.28 as shown on attached statement; the difference, namely \$1,379,227.60 represents rentals for Lease of Lines, which was deducted from the total financial Requirements and provided for before arriving at a figure of Resources.

Mr. HENRY: I have here quite a long statement, but it classifies these items in the same manner, only a little more in detail, as the classification for additions and betterments shown on page 23 of the Annual Report. Shall I read this?

The CHAIRMAN: Would the members of the committee be content to have it filed?

Hon. Mr. DUNNING: There is a lot of matter in that in the way of—

The CHAIRMAN: It is just a mass of figures.

Sir HENRY DRAYTON: I would suggest that the Minister take out of that what he wants for the purposes of the House.

Hon. Mr. DUNNING: Just read the subheadings and give the information as to what the statement is about, and then inquiries based on it may be more intelligently made.

Mr. JELLIE: What did you require for the same purpose last year?

Mr. HENRY: We spent about \$11,000,000. This is the "System Grand Summary of Appropriation Requests." It includes the appropriations requested for the Atlantic region, the Central region, the Western region, the Grand Trunk Western lines, the Central Vermont railway, the G. N. W. Telegraph, the Canadian National Telegraph Company, the Canadian National Express, the Canadian National Steamship Company, and the Canadian National Railway Company, the electric lines in Ontario, the Oshawa Electric Railway, the Montreal and Southern Counties Railway, and the Thousand Island Railways.

The first item is line diversions. That is self-explanatory. Then follows: Double tracking, new rails and fasteners,—that is quite a substantial item;—relaying of rails; tie plates; rail anchors; ties; switching ties; rock ballast; gravel ballast; slag ballast; cinder ballast; wooden gates and fills; scale, rock gates, rip-rap,—which is rock placed on the embankments to protect them against erosion; retaining walls and cribwork, ditching; tile drainage, sewers, highway and farm crossings, roadways and paving, right of way fences, snow fences, large freight terminals, large passenger terminals, other yard tracks, and public business sidings, passing tracks, miscellaneous roadway items, new steel bridges, or replacements with concrete or steel bridges, culverts, new or replacements thereof, new timber bridges and trestles, or replacement of existing timber bridges and trestles in kind, replacing timber bridges and trestles with culverts and fills, replacing timber bridges and trestles with permanent concrete or steel bridges, tunnels, protection or elimination of grade crossings by diversion, protection or elimination of grade crossings by subway or overhead bridges, replacement or overhead bridges, highway crossings, protected with gates, flashing lights, wigwags, etc.; other stations and shelters, freight sheds, stock pens, sections dwellings and bunkhouses, platforms, miscellaneous buildings, express facilities on railway, track scales, water supply, fuel stations, turntables, ash pits, other engine houses, machine shops, etc., other locomotive and car shop buildings—

Sir EUGENE Fiset: Mr. Chairman, I would call your attention to the fact, that all these explanations and full details of them were given by the Company when explaining their maintenance, last year. All this is maintenance.

Mr. HENRY: These are betterments. One is Capital—

The CHAIRMAN: And the other is chargeable to Profit and Loss.

Sir EUGENE Fiset: We had all these explanations last year. This is needed; that is all you can say about it.

The CHAIRMAN: We might as well complete it now.

Mr. HENRY: Docks and wharves, and dredging for same, grain elevators, automatic block and interlocking plants, purchase of locomotives, betterments applied to locomotives, purchase of freight cars, betterments applied to freight

cars, purchase of passenger cars, betterments applied to passenger cars, purchase of work equipment, betterments applied to work equipment, shop machinery and tools, railway telegraph and despatch lines and equipment, railway telephone purchases, land surveys, right of way and others, hotels—

Mr. HEAPS: Is that a capital expenditure for hotels?

Mr. HENRY: All capital.

Mr. HEAPS: How much is it?

Hon. Mr. DUNNING: Let him finish the list. This will help to keep the record straight.

Mr. HENRY: General miscellaneous, fire protection, stores, departmental buildings and equipment, express department and equipment, traffic department, legal and taxes department, finance department, colonization department, G. N. W. telegraph company, Canadian National telegraph company, road department, electric lines in Ontario, Oshawa Electric Railway, Thousand Island Railway, Montreal and Southern Counties Railway, Canadian National Steamships Limited, and "unforeseen."

Mr. HEAPS: I think Sir Henry Thornton yesterday made reference to certain extensions in two or three hotels.

Mr. HENRY: Jasper Park and Minaki—\$336,000.

Mr. HEAPS: For those two hotels?

Mr. HENRY: There are ten small items involving \$35,875. Those are betterments required to ten hotels. They are extensions, betterments and improvements.

Mr. HEAPS: Is any extension intended this year for the Chateau Laurier? I think Sir Henry Thornton made some reference to it a few days ago.

Hon. Mr. DUNNING: Representations have been made to me as Minister that unquestionably a very much better earning could be made on the Chateau through the addition of a certain number of rooms, which could be handled very economically in connection with the present general executive part of the hotel. That has arisen since these estimates were prepared originally, but, of course, if anything is done, to the satisfaction of the management and the satisfaction of the Minister, to show it would be a profitable thing to do, we will have to economize somewhere else in this general estimate, in order to get the money with which to do it.

The CHAIRMAN: It is not in the estimates as at present drawn up?

Hon. Mr. DUNNING: No, but of course the estimates consists of hundreds of items.

Mr. HEAPS: Is it customary for you to undertake new work or extensions, which are in no way provided for in the estimates?

Hon. Mr. DUNNING: It always occurs to a degree. These estimates are what can be foreseen at the time they are made out. The vote, of course, controls the total amount, and it is impossible to go outside the amount, but a certain leeway in application must be allowed in a system of this magnitude. I am not saying that anything will be done to the Chateau, but I am using that as an illustration. If it is demonstrated, for instance, that certain work as set forth is not required, or can be better handled in some other way, and that certain other work not provided for in specific terms, but in general terms, would be profitable to the system, I would not like to bind the system not to do that particular thing. I agree, however, that it ought to be work which would yield a definite return to the system, and Mr. Henry, of course, there are other features in connection with emergent matters, rail construction, etc. upon which leeway must be allowed.

Mr. HENRY: We very often find it necessary in the case of new industries locating along the line, which were not contemplated at the time the estimates were made up; they require facilities quickly to take care of them, and we have to let something else go.

Mr. HEAPS: Have the Canadian National Railways the power to go beyond the amount specified in the Capital expenditure provided for in this estimate, without coming back to Parliament?

Hon. Mr. DUNNING: Certainly not.

Sir HENRY DRAYTON: Oh yes, and they do and they have; it is the general vote—

Hon. Mr. DUNNING: I think we misunderstood each other, Sir Henry.

Sir HENRY DRAYTON: He said "What is in here for capital—can you exceed it?" You have, time and again.

Hon. Mr. DUNNING: But so far as authority to go beyond the \$31,000,000 is concerned—

Sir HENRY DRAYTON: Of course, in case of necessity, the government would issue a warrant.

Hon. Mr. DUNNING: But one does not contemplate that. It would have to be a very special case to justify a warrant.

Sir HENRY DRAYTON: So that the hon. member will know; variations in the Capital Account are constantly made. You have your distribution at the end of the year, but very often that is only a matter of book-keeping.

Mr. HEAPS: I think I am very clear on that.

The CHAIRMAN: Mr. Robichaud, I understood you had a question.

Mr. ROBICHAUD: I wanted to know if the details under the general items will be read.

The CHAIRMAN: They could be filed.

Mr. HENRY: They are pretty bulky.

Hon. Mr. DUNNING: Have you anything in mind?

Mr. ROBICHAUD: There is one case in which I am interested, and which is important. It is that of the Caraqueet and Gulf Shore Railway. That line has not yet been rerailed.

Mr. HENRY: We will be glad to go over this with you.

Mr. ROBICHAUD: We asked for an improvement in the service, and they came back with the idea that they could not draw heavy equipment over that line.

Mr. HENRY: I do not know whether we have any heavier rails on that or not. Five miles of 80 pound rails.

Mr. ROBICHAUD: Five miles out of twenty-seven. I might draw the attention of the Minister of Railways as well to the fact that this is a very unsatisfactory state of affairs. I think we have reached a stage in the development of our country now when the part of the country served by the Caraqueet and Gulf Shore Railway should have proper line. This line has been in the hands of the Canadian National Railways now for six years, or at least for five years; it was taken over in 1921, and I believe that we have now reached a stage when the whole line should be ironed with heavier rails, so as to permit the rolling of proper equipment.

Mr. HENRY: We are proceeding as quickly as possible, Mr. Robichaud, with the increasing of the weight of the rails. With a system of the extent of 22,000 miles, you cannot do it all at once.

Mr. ROBICHAUD: Are you not proceeding with the construction of new branch lines, and putting them in operation, from one end to the other, with heavier rails?

Mr. HENRY: In the construction of branch lines, we use relayed rails, rails that have been taken out from other places. Our general practice is to endeavour to take care of the rail situation on the heaviest traffic lines first.

Mr. ROBICHAUD: I quite appreciate that. Still, the fact remains that there are 30,000 people who are suffering for want of a proper railroad, on account

of the new construction being left almost in abeyance, there being only five or six miles of track improved each year.

Mr. HENRY: It is your contention that there are 56 pound rails on the whole line?

Mr. ROBICHAUD: There were 56 pound rails on the whole line when the line was taken over, and there are still 27 miles of the old rails, which should be removed forthwith, in order to allow proper equipment to be used on that line.

Mr. HENRY: We have only provided, in the estimates, for the renewing of five miles of track on that line this year. We would be very glad to look into that, and have a special investigation made of it, if you like. I am not personally familiar with the situation.

Mr. ROBICHAUD: And another thing, the railroad company is by far the greater loser by allowing such a state of affairs to exist, on account of the difficulties experienced in the winter time. Thousands and thousands of dollars have been spent in connection with extra labour required to remove the snow. Proper equipment cannot be placed on that line, and the consequence is it is detrimental to the railway.

Mr. HENRY: You will understand that we have, as a matter of fact, a great many miles of light rail, and we can only replace a certain amount each year. We are endeavouring to replace the light rail as fast as possible.

Mr. BROWN (Chief Engineer Maintenance): We have, to-day, over 6,000 miles of from 50 pound to 60 pound rails on the system. There are many lines, particularly in the west, where there is a heavy grain movement, over 60 pound rail.

Mr. ROBICHAUD: They have not to contend with snow in the west, as we have.

Mr. BROWN: It is our desire to build up the light weight rail with higher weight rail as rapidly as we can.

Mr. ROBICHAUD: Another thing; out west the purpose of the branch lines is especially for freight traffic; whereas, in the constituency of Gloucester, which I represent, there is a population of 30,000 to be served.

Mr. BROWN: Between Edmonton and Battleford, on the main line, there are 130 miles of 60 pound rail to-day, and that line is carrying very heavy freight traffic, and considerable passenger traffic. Trains between Winnipeg and Edmonton, passing through Saskatchewan, travel over that section of track.

Mr. ROBICHAUD: How is it railway officials come to me and tell me they cannot use proper equipment, on this particular line, on account of the condition of the roadbed?

Mr. BROWN: I cannot say as to that.

Sir HENRY DRAYTON: Do you have many derailments on account of bad rail, on that line?

Mr. BROWN: I have no reports of any derailments on account of bad rail on that line. It is our desire to replace, as quickly as is consistent with conditions, the light rail. We have replaced a great deal of light rail, and have spent a great deal of money on that line since it was taken over.

Mr. ROBICHAUD: I should like to know if it is the intention to construct a turn-table at Burnsville, to replace the one destroyed last year by fire?

Mr. BROWN: I think so.

Mr. ROBICHAUD: Will that work be proceeded with before the snow flies?

Mr. BROWN: Yes.

Mr. ROBICHAUD: That is very important, because the community that is served, is scattered, and passengers coming to the station have to travel fifteen miles, in some cases. You can appreciate the difficulties with which they have to contend.

Mr. CLARK: I notice last year there was an expenditure on rails amounting to \$2,739,000. The estimates for next year are over \$4,800,000; an increase of about \$2,100,000. Can you explain that?

Mr. HENRY: New rails being asked for this year, amount to \$768,363, chargeable to "Capital." You are referring to the figure in the other column, representing "Maintenance."

Mr. CLARK: I am referring to your figures which are given in the annual report. The total expenditure is given at \$2,700,000, which I understand is not entirely for new rails. That is at page No. 19. That is what I referred to first; then I referred to "Capital" and "Maintenance" for next year, which altogether amounts to \$4,800,000; which I am assuming is the same as the item shown in your annual report at page No. 19, item 214, "Rails."

Hon. Mr. DUNNING: What is the difference, Mr. Henry?

Mr. HENRY: I will have to have that looked up.

Mr. CLARK: I think, if you will look at page 2, at "Maintenance," you will see it is \$4,000,000. In the Annual Report, under the heading "Maintenance of Way and Structures,"—"Rails," the amount is \$2,739,000. Total Maintenance and New Rails for next year amount to \$4,800,000; a difference of \$2,100,000.

Mr. HENRY: Yes, a difference of \$2,100,000. You are comparing two things which are not comparable. The "Income Account" classification is different from the classification "Conditions and Betterments." What we have got in here is not only the amount required for the replacing of the material, but the labour involved.

"Income Account" "Maintenance of Way and Structures" shows, under item 214, only "Rails." There is not any labour included in that item.

Mr. CLARK: Where is "Labour" shown in the annual report?

Mr. HENRY: "Labour" is shown under the heading "Track Laying and Surfacing."

Mr. CLARK: Have you any item in the "Capital Expenditure Account" covering "Track Laying and Surfacing?"

Mr. HENRY: It is in this particular item of \$268,000.

Mr. CLARK: "Labour" is allocated to each particular item in the detail you have given the Committee?

Mr. HENRY: Yes. Just how much is "Rails" and how much "Labour" I cannot tell you off-hand.

Mr. JOHNSTON: You stated the amount of "Rails."

Mr. HENRY: That represents the amount of the rail programme, which is chargeable to "Capital."

Mr. CLARK: Well now, I also see that this provides for three per cent of the system mileage. What I was wondering is this: what do you consider is the annual depreciation of rails, and what percentage should you renew?

Mr. HENRY: Well, I cannot answer that question officially, General Clark. The renewing of rails in main line service is from 10 to 12 years; after the rail has spent 10 to 12 years in main line service, it is removed to secondary service, where it may give service for 25 years.

Sir HENRY DRAYTON: On branch lines.

Mr. HENRY: Yes, on branch lines, and then it finally gets placed in sidings. Forty-five years would probably be the ultimate life of a rail.

Sir HENRY DRAYTON: It is not the commercial life of the rail.

Mr. HENRY: No, the main line service is from 10 to 12 years.

Mr. CLARK: You must have worked it out scientifically at some time or other to show what percentage of the system mileage should be annually renewed, so as to insure you against undue depreciation.

Mr. HENRY: We endeavour to replace one hundred thousand to one hundred and twenty-five thousand each year.

Mr. CLARK: What percentage of the total tonnage would that be?

Mr. HENRY: I will have to figure that out.

Mr. CLARK: The reason why I suggest you must have it worked out is because you state you replace 3 per cent. What I want to know is, is that sufficient, or are you allowing your rails to depreciate more rapidly than you are replacing them? All I want to be assured of is whether you are maintaining the rails in proper condition.

Mr. HENRY: We are endeavouring to maintain the rails in proper condition.

Mr. CLARK: We know you are endeavouring to; but—

Mr. HENRY: You have to bear in mind that at the present time the condition is really sub-normal, which is due to the fact, as Mr. Brown has pointed out, that we have such a large mileage of light rails—60 pound and under. When we have the 56 pound rail all replaced, the rate of replacement will not be as great as it has been in the past.

Sir HENRY DRAYTON: Well now, is that quite right? I do not think you are quite right as to that, Mr. Henry. You have an abnormal situation from two stand-points; the first abnormal situation is that when the Government took over the Grand Trunk—I am not speaking of main line construction—the Government found the property in very bad shape, and in the year when the arbitration was going on—perhaps it would be fair to say the year before, when assistance was being given—a very great amount of work was done to the right of way. Is that right?

Mr. HENRY: You mean in the replacement of rails?

Sir HENRY DRAYTON: Yes, in fixing up.

Mr. HENRY: I do not believe there was any abnormal replacement of rails the year before.

Sir HENRY DRAYTON: What about the next year? I think, at one time, there was a tremendous tonnage of rails used for replacement purposes, in order to keep up the system.

Mr. HENRY: Yes, that is right.

Sir HENRY DRAYTON: Well, that being so; a great tonnage being put in because it was found the property was in a dilapidated condition, while, as a matter of percentage, depreciation has been going on all the same, the necessity of putting in a large amount of tonnage, in the replacement of rails, is not, at the moment, pressing.

Mr. HENRY: That only applies to a relatively small proportion of mileage.

Sir HENRY DRAYTON: It applies to a large proportion of main line track.

Mr. HENRY: It applies to a proportion of main line, between Montreal and Toronto, 333 miles.

Sir HENRY DRAYTON: What about Toronto and west?

Mr. HENRY: The condition of the rails from Toronto to Sarnia was pretty fair; from Sarnia to Chicago only part of it was bad. There were 100 pound rails on a good part of that line.

Sir HENRY DRAYTON: A similar condition was found in regard to the Canadian Northern.

Mr. HENRY: Unquestionably.

Sir HENRY DRAYTON: So we did have, practically, reconstruction, so far as the rails were concerned, when these properties were taken over. Therefore, you have not got to spend as much as you would otherwise have to spend on that track at the moment?

Mr. HENRY: That would be true, provided we had completed our programme of replacing the lighter rails with heavier rails.

Sir HENRY DRAYTON: I am just speaking of the main line.

Mr. HENRY: The main line rail replacements are probably not as heavy as they were two or three years ago.

Sir HENRY DRAYTON: That is because there has been so much new stuff put in; what I want to get at is this: It is stated that main line depreciation is about 9 per cent. I am taking the commercial life of the rail, for main line purposes. Your depreciation in terms of "Rail" is, really, as a whole. That is what we have to look at here. I am speaking of the main line, first.

Mr. HENRY: As far as the main line is concerned, the depreciation would probably be between 8 and 9 per cent.

Sir HENRY DRAYTON: I think it is nearer 9 per cent than 8 per cent.

Mr. HENRY: Some main lines are not subject to the heavy traffic that others are, and, therefore, on the average it would probably be 12 years.

Sir HENRY DRAYTON: You are not putting in anything like that amount of main line stuff. The answer is you do not need to, because of the reconstruction which was made a little while ago.

Mr. HENRY: That is correct.

Sir EUGENE Fiset: To come to the practical side of this question; are not the details of the estimates you have now submitted to us simply based on the estimates made by the general manager of each division?

Mr. HENRY: Yes.

Sir EUGENE Fiset: Not with the scientific side of it.

Mr. HENRY: That is correct.

Sir HENRY DRAYTON: One other point, in connection with depreciation. While the necessity for it does not occur at the moment, it is the sort of thing that will have to be looked after, later on, in connection with the accounts in regard to depreciation.

Mr. HENRY: Sir Henry, a discussion with regard to depreciation would be quite an interesting topic. We took care of our retirements as and when necessary, and charged that to "Maintenance."

Sir HENRY DRAYTON: The only depreciation we have is with regard to American lines.

Mr. HENRY: Yes.

Sir HENRY DRAYTON: And that is because the American system demands that depreciation account.

Mr. HENRY: It is not as necessary to have a depreciation account to take care of "Rails and Ties," as it is other items. There are very few items of considerable magnitude, like "Bridges." When you come to what we call the cycle of renewals it does not make much difference whether you show depreciation or not.

Sir HENRY DRAYTON: It is far more important in connection with larger construction, which have to go at some time.

Mr. HENRY: Yes.

Sir HENRY DRAYTON: The reason being that you look after the replacing of rails year after year, and will not have any heavy replacement.

Mr. HENRY: Yes.

Mr. CLARK: The time will come when 6.3 per cent renewals of track system mileage will not be enough to really take care of the depreciation.

Mr. HENRY: I do not think it will, General Clark, for this reason. The life of a rail is about 40 years.

Mr. CLARK: For 12 years, at 3 per cent renewals, you would need a much greater percentage than 3 per cent, you would need about 9 per cent.

The CHAIRMAN: The estimate of 12 years applies only to the main lines; when you take into consideration the average of the main and branch lines, it will change that figure.

Hon. Mr. DUNNING: The relaying of the rail, taken from main lines, on branch lines, makes the difference.

Mr. CLARK: Yesterday, as I understood Sir Henry Thornton's answer to a question of mine, about western lines, he said the Canadian National Railway uses very little rock ballast.

Mr. HENRY: It has done very little up to the present time. We have, so far, rock ballasted only a small portion of the main line between Montreal and Toronto.

Mr. CLARK: He intimated that rock along the roadbed was not an important factor, but I notice that your estimate for rock ballast is over \$700,000. That amount exceeds the total estimate for ballasting, of 1925.

Mr. HENRY: You are comparing the charge in the "Income Account", to the "Capital Account"; are you not?

Mr. CLARK: "Capital" and "Maintenance."

Mr. HENRY: "Capital" and "Maintenance." The item included in this "Betterments" budget, includes only that portion of the rock ballasting programme which involves "Maintenance", or "Capital," as the case may be. And in that account the accounting rules are pretty clear as to what must be done; you can only charge to "Capital" the excess cost of the material. All the labour of placing it is a "Maintenance" charge.

Mr. CLARK: In other words, we cannot here compare your estimates for the coming year with your expenditures reported in the annual report?

Mr. HENRY: No, that only includes a portion of them.

Mr. CLARK: So no matter how much examining we do, we can not arrive at any conclusion as to whether your estimates for this year under this heading are excessive or otherwise as compared with past years?

Mr. HENRY: Well, the past year represents the result of the operations; represents what was done, not only with respect to the items involving capital expenditure, but also with respect to those items which did not involve any capital expenditure. Now, if you will examine the total at the bottom of page 3, you will find that the earnings charged, corresponding to "Capital, \$19,127,284." is \$14,562,777. Necessarily, that is an estimate. But that simply means that involved in this expenditure of this capital account, there is a corresponding charge for maintenance of \$14,562,777. It does not mean that you can take the items which you find here and compare them with the items of the "Income Account."

Mr. CLARK: What do you mean by "Income Account?"

Mr. HENRY: "Income Account" is a statement of expenditures, as made, and charged to "Operating Expenses."

Mr. CLARK: As shown in the annual report?

Mr. HENRY: Yes, as shown in the annual report.

Mr. CLARK: That is just my point exactly.

Mr. HENRY: That is absolutely correct.

Mr. CLARK: Your estimates are really unintelligible to us, so far as a comparison with other years is concerned.

Mr. HENRY: That is correct; you cannot make a comparison.

Mr. JELLIFF: Is there any way of making up your account so this comparison can be made?

Mr. HENRY: The fact is, in carrying out the work, it is carried out in conjunction with the ordinary maintenance, and we would have to segregate, in the course of operation, expenditures which are allocated—which should be allocated to these "Capital" items. It is not done. It would be possible to do it. We have already filed, as a matter of fact, a record of what we did last year, and it is shown on page 171, so far as "Capital" features are concerned. We have already filed that information, but it does not show the corresponding charge to "Operating Expenses."

Mr. JELLIFF: Would it involve a great deal of work to do that?

Mr. HENRY: It would be a very difficult matter to do it now. It would be possible to start from now and segregate it for the coming year, if desired. Even that would be quite a job. Mr. Cooper, would it not be quite a task to segregate the "Maintenance" feature of the capital expenditure in the budget?

Mr. COOPER: No, all expenses are reported and are divided between "Capital" and "Operation."

Mr. HENRY: I know they are. Supposing we were asked to make up a statement showing just what the maintenance feature was, could we do it for last year?

Mr. COOPER: For the budget, yes.

Mr. HENRY: The items involving "Capital" expenditure?

Mr. COOPER: Yes.

Mr. HENRY: How long would it take?

Mr. COOPER: It would take some time. But, our authority estimate is divided as between "Capital Account" and "Maintenance Account" and the figures are reported in that way. The actual costs are reported in that way.

Mr. HENRY: It would be a case of summarizing that information.

Mr. JELLIFF: You can do that for another year?

Mr. HENRY: That can be done for another year, unquestionably. We have, as a matter of fact, already filed the items of expenditure corresponding with the table we are just reaching.

Mr. JELLIFF: I think we could more readily understand your estimates.

Mr. HENRY: But you cannot take the items under "Maintenance of Way and Structures" and compare them with the corresponding item here.

Mr. CLARK: Where have you been making capital expenditure in regard to "Shops, Machinery and Tools?"

Mr. HENRY: All over the system. There are some large expenditures.

Mr. BROWN: Do you mean buildings or equipment?

Mr. CLARK: Shops.

Mr. BROWN: "Shops, Machinery and Tools," just covers machines going into the shops. It does not include new buildings.

Mr. CLARK: Have you any new buildings going up?

Mr. BROWN: Yes.

Mr. CLARK: Whereabouts?

Mr. BROWN: There is an engine house being built at St. Thomas.

Mr. CLARK: Give the amount?

Mr. BROWN: \$225,000. And there is an extension to the engine house at Brattleboro, Vermont, \$52,800. Those are all the large items. Those are engine houses. At Traneona we are putting in a creosote block floor in the existing car shops, amounting to \$29,300.

Mr. CLARK: I notice that you are contributing to the Great Northwestern Telegraph Company the amount of \$460,000 odd; and \$500,000 to the Canadian National Telegraph Company. These are estimates. What is the explanation for that?

Mr. HENRY: \$400,000, that is for the carrier current system.

Mr. CLARK: Carrier current system for that purpose?

Mr. HENRY: Between Montreal and Vancouver; it is an invention to make possible independent transmission of a large number of messages on a single metallic circuit.

Mr. CLARK: Is that for the use of the railway company alone?

Mr. HENRY: No, it is a commercial telegraph line.

Mr. CLARK: Why is this mixed in with the railway account?

Mr. HENRY: Well, it is part of the Canadian National Railway system.

Mr. CLARK: I understand a statement was put on the record that last year the commercial telegraph company showed a surplus?

Mr. HENRY: Oh, yes.

Mr. CLARK: Is it not going to show a surplus next year?

Mr. HENRY: That is capital expenditure.

Mr. CLARK: Part of it is, yes.

Mr. HENRY: \$400,00 is.

Mr. CLARK: There is "Maintenance" expenditure amounting to \$240,000.

Mr. HENRY: "Maintenance" expenditure may be a little higher this year than it was last.

Mr. CLARK: Why should it be?

Mr. HENRY: Periodically, you have greater replacements than the average, and periodically, you have less. So you may expect some fluctuation in the amount charged to "Maintenance."

Mr. CLARK: Is the C.P.R. Telegraph system run separately from the railway?

Mr. HENRY: I think so.

Mr. CLARK: Do you know how they get along, do they make money or lose money?

Mr. HENRY: That I cannot tell you off-hand, General Clark.

Mr. CLARK: Well, I think it would be very interesting to know that, because we have a tremendous telegraph system here, and if it is losing money, if we are required to dig down in our pockets every year for a matter of a million dollars, I think we had better know about it.

Mr. HENRY: I think it is a very good investment, because it enormously increases the capacity of the system to do business at a comparatively small expenditure.

Mr. CLARK: I believe the G.N.W. Telegraph Company in the old days was a paying investment.

Mr. HENRY: Yes.

Mr. CLARK: I think they made money. Now, let us get the explanation why it is losing money to-day.

Mr. HEAPS: I think there is a surplus from "Operation."

Mr. CLARK: Yes, there is a surplus from "Operation." Here is a million dollars capital expenditure; cannot they find their own capital, with a system of this sort?

Mr. HENRY: The Canadian National telegraph, in the year 1925, had a net revenue from operations of \$585,000, and it had a surplus, after paying all charges, including interest upon the investment, of \$176,000. The commercial telegraph department has not been able to cope with the increasing business, and this device known as the "Carrier Current System" is being installed for the purpose of increasing the capacity, and it is expected that after installation no further capital expenditures for increasing the capacity will be required for some time.

Mr. CLARK: Is this by way of a loan?

Mr. HENRY: This will be a loan from the Canadian National Railway to the Telegraph Company.

Mr. CLARK: What security will there be?

Mr. HENRY: This is an inter-corporate relationship.

Mr. HEAPS: This particular system which you intend to install is an equipment which will materially decrease the annual expenditures?

Mr. HENRY: Oh yes; well, it will rather increase the capacity.

Mr. HEAPS: You will be able to do considerably more business with the same overhead?

Mr. HENRY: That is it.

The CHAIRMAN: Mr. Henry, reverting to the statement made by Mr. Clark, he said you were losing money on the business. After paying all charges, you have a profit of \$176,000?

Mr. CLARK: I understand that.

The CHAIRMAN: Then, Mr. Clark, what is the basis for your remark that we are losing money? We made \$176,000.

Mr. CLARK: Yes, I know, but as against that, this year we are making an advance—

The CHAIRMAN: That is for capital.

Mr. CLARK: Not all of it; \$240,000 for maintenance, and about \$700,000 capital. Now then, if we are making money, why should we advance \$240,000 for maintenance?

Mr. HENRY: We don't. We merely indicate that for the purpose of record, as the amount involved in operating expenses. That is all it means. That will be taken care of, as a matter of fact, by the earnings. There is no question of a vote, or anything of that kind.

Mr. BELL (Deputy Minister): Probably you had better explain to General Clark, Mr. Henry, that where the possibility of work is to be done, and it is gone over and part is charged to maintenance and part to capital, and this is set up to show what part is charged to capital and what part to maintenance, and the maintenance is charged through the ordinary channels.

Mr. BROWN: There are these cases, General, in connection with a section of a telegraph pole line constructed at different periods. After a time these poles become rotted, and they have to be replaced, and that is what these maintenance items are for. We take a section and replace it, and rebuild it to our modern standards.

Mr. CLARK: I understand that, but the only thing I am questioning is why there should appear to be any sum advanced to the Telegraph Company for maintenance, when the company is paying its way and making a profit in operating expenses, and meeting its fixed charges.

Mr. BELL (Deputy Minister): This is not to be advanced; that is why I wanted it explained.

Mr. CLARK: Yes, but he was going on and explaining to me that there was a depreciation. I knew that.

Mr. BELL (Deputy Minister): That is not an advance; that is merely put in there for information. They take care of that themselves.

Mr. CLARK: Perhaps we could clear it up in this way. You say that the column titled "Maintenance" has nothing to do with money to be advanced.

Mr. HENRY: The column headed "Maintenance" is a matter of record; it is to indicate the amount of maintenance involved in the betterments; it is in addition to the capital investment which is charged to Capital Investment.

Mr. CLARK: There is something wrong there. Let us go back a bit. Your capital expenditure shows \$768,000, whereas your maintenance shows over \$4,000,000. How can that be a portion of the capital amount that is going to be used for the purpose of new rails?

Mr. HENRY: It simply means that when we replace an 80 pound rail with an 85 pound rail, all that goes to capital is five pounds; the balance goes to maintenance.

Mr. CLARK: So your total expenditures there are \$4,800,000, as shown?

Mr. HENRY: That is the estimated amount involved in the rails, which involve capital. There is more maintenance beside that. There is maintenance involved in replacing rails of the same weight.

Mr. CLARK: Then coming back to the telegraph. Your total for the G.N.W. was \$264,000 plus \$189,000.

Mr. HENRY: \$264,799 capital, maintenance in that item, \$189,367. That means that in the execution of the work involving a capital expenditure of \$264,799, there is a maintenance charge equal to \$189,367, and that the money will be found out of operating expenses for that expenditure.

Mr. CLARK: I certainly am sorry, but you have not made that clear. The same principle does not apply to each item in your accounts, because, if you go

back again to your new rails, your capital is \$768,000, and your maintenance is \$4,000,000, and if you apply the same system, you would say that the \$4,000,000 is the proportion to be charged up against the \$768,000, and how could you do that?

Mr. HENRY: Is it your view, Mr. Clark, that relatively the same thing ought to apply in each case?

Mr. CLARK: Your accounts ought to be on the same basis.

Mr. HENRY: They are, General.

Mr. BROWN: I think I get your point, Mr. Clark, in regard to putting in these certain improvements, on the Canadian National Telegraph; that is, the total cost of erecting these poles, or re-erecting them, and building new ones and taking the old ones out, is \$264,799, plus \$189,367, making a total cost of \$454,166, which we have to spend on the job.

Mr. CLARK: That is exactly what I understood. Go ahead with your explanation.

Mr. BROWN: And of that cost, \$246,799 will be charged to capital account, and \$189,367 will be charged to operating.

Mr. CLARK: That is perfectly clear. Now, what about the rails?

Mr. BROWN: It will be on the same basis, as regards the rails.

Mr. CLARK: That makes it perfectly clear, but, even at that, it does show that we are going to make an advance this year to the operations of that Telegraph System, and that advance will be charged to the maintenance of the Canadian National Telegraph, and the G.N.W. Telegraph.

Mr. HEAPS: I think it is a good thing to make it. If you were not making money, there would be no need for making it.

Mr. CLARK: I am not saying whether it is good or bad. I am questioning the advance of money for maintenance purposes, to what is supposed to be a self-supporting company, and one which is making a profit over fixed charges.

Mr. BELL (Deputy Minister): You are not doing that. That is only the record of the maintenance charge which the Telegraph Company must pay itself, out of its earnings, and it is not being voted. Capital charges are being voted to the extent of \$31,000,000. That maintenance is only a record, and they will have to pay it out of their own earnings, and it would not be advanced by the Canadian National Railway.

Mr. HENRY: Let us put it this way. The Telegraph Company comes to the National Railway and says, "We want to put in this carrier system, which involves a total expenditure of \$474,000. We can take care of \$189,000, and we would like you to advance the balance to capital".

Mr. BELL (Deputy Minister): You could just put in the capital work, and say we will advance so much to the telegraphs, but to give you all the full information, the detailed cost of the work is put in, and to maintain it we will charge so much.

The CHAIRMAN: Have we not the same system in the estimates for the Post Office Department? We have to put in the cost of carrying on the Post Office work, but the money is actually paid out of the receipts in the Post Office Department.

Mr. CLARK: I see the point. I am sorry the Minister has left, because in his railway budget I understood him to say that for the forthcoming year the railway would meet, not only its operating expenses, but that also the coming year would show a surplus sufficient to take care of all fixed charges. Why then the necessity of this \$31,000,000 advance?

Mr. HENRY: The \$31,000,000 includes \$19,000,000 for all these betterments, chargeable to capital expenditure.

Mr. JELLIFF: I think that statement was conditional upon the traffic conditions for the year; it was a prophesy more than anything else.

Mr. HENRY: You would have to get authorization for the amount required to provide new facilities.

The CHAIRMAN: I do not think the Minister tried to convey the impression that the railway would be able from its receipts, to carry all capital charges.

Sir HENRY DRAYTON: Merely carrying charges.

Mr. CLARK: This \$31,000,000 is not all for capital.

Sir HENRY DRAYTON: I think perhaps the Minister was a little too optimistic there. If you take this statement, Item one, Interest on Funded and Other Debt, \$36,000,000 plus; the Grand Trunk Pacific guaranteed interest and dividend on G. T. R. four per cent guaranteed stock brings the total up to about \$39,000,000. Then the guaranteed interest is also carried, which would make it about \$40,000,000. The sinking fund payment should come out, the equipment principal payments also should come out, the retirement of capital obligations should come off, and so we have a total deduction there of about \$9,000,000.

Mr. HENRY: Your net financial requirements are shown as \$14,072,000. If you take the \$9,000,000 out of that, you would only have about \$5,000,000 left.

Sir HENRY DRAYTON: That is what I am saying.

Mr. JELLIFF: You asked for \$31,000,000 this year. Last year you asked for more than that, but did not need it all.

The CHAIRMAN: Last year it was originally \$50,000,000.

Mr. JELLIFF: You have reason to expect you will repeat the same performance this year?

Mr. BELL (Deputy Minister): If the year keeps on the way it is going, we would not need it.

The CHAIRMAN: It would not be fair to let the general public get the impression that the \$31,000,000 was to cover deficits, because in that is included a large sum for capital expenditures.

Mr. HENRY: In the \$31,000,000 there is \$15,527,000.

Mr. BELL (Deputy Minister): Put it in another way, Mr. Jelliff. Say that next year we make earnings sufficient to carry all our operating charges and all our carrying charges, we would still come to Parliament for a vote, because we cannot spend money for capital without the authorization of Parliament.

Mr. CLARK: Yet you now ask for more by many millions—

Mr. BELL (Deputy Minister): This is the estimate that was made at the beginning of the year. If the year goes on the way it has started, I have no doubt we will not use it all.

Mr. CLARK: Is there a vote for the Hudson Bay Railway?

Mr. BELL (Deputy Minister): That was explained. There was \$161,000 which was put in before the policy of the Department was decided upon.

The CHAIRMAN: Supposing that should not go through the Senate—that estimate for \$3,000,000; then you would still want the \$161,000 to maintain what is there?

Mr. BELL (Deputy Minister): No, we would not require that. We got one-twelfth of our supply through.

Mr. CLARK: Do you require that \$161,000? We could reduce the total by that amount, could we not?

Mr. BELL (Deputy Minister): There would be a certain necessity, as the Minister has explained; we could not tie down—I think Sir Henry Drayton knows that better than anybody on the committee, because he has had experience with it—we could not tie down these hundreds of thousands in a huge system of this kind. The picture is changing every day.

Mr. CLARK: I realize that, but if there is a particular work in view, you might go on and explain that.

Mr. BELL (Deputy Minister): If it were not required, we would not use it, and you will have an account before you to justify every cent, next session.

The CHAIRMAN: Gentlemen, are you ready to pass the estimates?

Mr. POWER: I move that a committee be appointed to draw up a report.

The CHAIRMAN: Gentlemen, may we pass the estimates first?

Mr. POWER: I so move.

Mr. HEAPS: I second that.

The CHAIRMAN: Moved by Mr. Power, seconded by Mr. Heaps, that the item of \$31,000,000 be recommended to the House.

Mr. CLARK: There is one thing which has not been gone into, and that is the advertising account. There are some items in it which ought to be dealt with. If we pass the estimates, we preclude our dealing with it.

Mr. POWER: Did the sub-committee report?

The CHAIRMAN: Have you any report to make, Mr. Clark? In the absence of a report from the sub-committee, it is quite proper to pass the estimate, if you do not wish to discuss it any further.

Mr. HEAPS: Is it fair to hold up the whole estimate for this matter?

Mr. CLARK: If I had my material here, I could finish this up.

Mr. HENRY: If the operating ratio had been used as the basis of calculating the expenses of handling the grain in the western region, the loss shown on the statement filed of \$2,647,000, would have been \$3,700,000.

Sir HENRY DRAYTON: How do you arrive at that?

Mr. HENRY: The ratio is 83 per cent.

Sir HENRY DRAYTON: The ratio of what? Just make a statement that anyone can understand, Mr. Henry.

Mr. HENRY: That is the difference between the average cost per ton mile of 6.25 mills and 5.43 mills.

Sir HENRY DRAYTON: What is the significance of 6.25 mills?

Mr. HENRY: 6 25 mills is the operating, or expenses of handling all the traffic.

Sir HENRY DRAYTON: And what is the other?

Mr. HENRY: The other, 5.43 mills is the revenue from grain.

Sir HENRY DRAYTON: And in that you do not take into account the fact, which we know to be a fact, that grain is more easily and cheaply handled than the general traffic?

Mr. HENRY: But if you adopt that basis, your loss is \$3,700,000, as compared with \$2,647,000.

Sir HENRY DRAYTON: Of course, it would be more, because you are not making the rectification.

Mr. HENRY: That is correct.

Sir HENRY DRAYTON: Again that shows that the basis of the two calculations are not the same, because if they were the same, if you were to take the calculation which is allowed for economy in grain, the results would not jibe then any more than they do now.

Mr. HENRY: The original calculation was made with the intention of compensation to some extent, from the fact that it did take into account the fact that it was less costly to handle the grain than it was the other. Now, the difference between the cost of handling the grain, and the rest of the traffic, according to the statement put in yesterday, in 1925, was .58 mills.

Sir HENRY DRAYTON: Making a total of \$2,000,000 plus?

Mr. HENRY: Making a total gain of about two and a half million dollars.

Sir HENRY DRAYTON: When I say "gain", we must speak in the same term; making a total difference on the per ton per mile basis of the cost of handling grain, as against the cost of handling other articles. That is what you mean?

Mr. HENRY: That is it.

Sir HENRY DRAYTON: I don't think that is the exact figure, and I always like to have exact figures.

Mr. HENRY: That is not very far out.

Mr. JELLIFF: Mr. Chairman, in regard to this matter being discussed here; I don't think it is fair to western Canada to put that statement on the record, unless some further statement is made showing that western Canada, as a matter of fact, contributes a proper share to the revenue of the company as a whole?

The CHAIRMAN: What do you mean by that?

Mr. JELLIFF: The statement which is made is likely to be misconstrued. I do not think it should be put before the House of Commons as against western Canada. This grain traffic indirectly brings in an immense amount of traffic, as Sir Henry Drayton explained yesterday.

The CHAIRMAN: That is on the record now.

Mr. JELLIFF: I think there should be a similar explanation from the company to the one Sir Henry Drayton made yesterday.

Sir HENRY DRAYTON (To Mr. Henry): You admit that what I said yesterday was correct?

The CHAIRMAN: You mean the development of the grain business leads to other business, and so indirectly the grain business is helping to create a profit, although it is not a direct one?

Mr. JELLIFF: I think that has been grossly misconstrued to the detriment of western Canada.

Mr. HENRY: I may explain, to make this point a little more clear than it possibly was made so far. What was done was the total expense incurred in the handling of business of the western region was simply allocated in a more or less arbitrary manner, but with reasonable accuracy. If you had not had the grain to handle you would have had to allocate a heavier charge to the other business.

The CHAIRMAN: If you had not had the other to handle—

Mr. HENRY: You would have had to add a heavier charge to the grain.

Sir HENRY DRAYTON: It is simply one hand washing the other.

Mr. HEAPS: It is the same in all lines of business.

Mr. CLARK: Did you file the statement you undertook yesterday to file?

Mr. HENRY: I did.

Mr. CLARK: I have not yet seen it.

The CHAIRMAN: It is here.

Mr. CLARK: Perhaps I had better go on with the other. There are one or two things with regard to "Advertising" which I think the general Committee should take into consideration. One is in the report of 1924-25. A certain figure was shown as "Advertising" and in the report of this year, a different figure for the same year is shown. You were going to give an explanation of that. The point is this: in item 353, page 20, in the report, for the year ending December 31, 1924, "Advertising" was shown as—

Mr. COOPER: The explanation is, I think, in the 1924 report, as to radio expenditure—

Mr. CLARK: No, that is not it at all. In the 1924 report, "Advertising" and "Radio" were added together. It showed an entirely different figure from what you have shown in this year's report, "Year Ending December 31, 1924" for "Advertising" and "Radio", so that the comparison for the year ending 1925 and the year ending 1924, is misleading in the present report.

Mr. HENRY: I think you have to add up two or three items.

Mr. COOPER: The "Radio" Expenditure in 1924 was divided between "Advertising" and "Colonization."

The CHAIRMAN: Is the difference very great?

Sir HENRY DRAYTON: We thought, last year, it should be all "Advertising."

Mr. COOPER: It is in a separate account this year. "Advertising" expenditure is the same in both years.

The CHAIRMAN: They are put all in "Advertising" now.

Mr. HENRY: No, it is shown separately now.

Mr. COOPER: The difference was due to the fact that "Radio" expenditure in 1924 was distributed between "Advertising" and "Colonization." In 1925, they are shown as separate accounts.

Mr. CLARK: Well, in any case, this year's report shows a reduction, while, as a matter of fact, as I figure it, there is no reduction at all.

Sir HENRY DRAYTON: If you take the totals, there is a slight increase. If you treat "Radio" as "Advertising" you will find there is a slight increase.

Mr. HENRY: If you add "Radio" there is a slight increase.

Mr. CLARK: Well now, Mr. Chairman, I just wanted to draw attention to that. There is another thing I think attention should be drawn to, and it is that there is \$205,065.89 being spent for "Advertising" in the United States; \$155,878 of which is spent in newspaper advertising—cash expenditure for newspaper advertising in the United States. That is opposed to \$68,057 for cash paid for newspaper advertising in Canada.

The CHAIRMAN: They do not know of the National Railways in the United States as well as they do in Canada.

Sir EUGENE FISKE: Is that advertising for tourist traffic in the United States?

Mr. HENRY: For all classes.

Mr. COOPER: You would have to add the "Transportation" figure.

Mr. CLARK: What are you advertising for in the United States?

Mr. HENRY: Mostly passenger-tourist traffic.

Mr. CLARK: You are advertising for traffic in connection with the department of a railway in which you are steadily losing money.

Mr. COOPER: That is not correct. We made money on the western lines last year.

Mr. CLARK: I am talking of the whole system. I understand you lost money on the passenger traffic.

Mr. HENRY: We did, we lost money on passenger service last year.

The CHAIRMAN: Supposing that advertising is directed towards securing tourist traffic to Jasper Park; if you had not done that advertising you might have lost still more money.

Mr. HENRY: We might have lost still more money. The trains were running anyway.

Mr. CLARK: You would get more tourist traffic by advertising in magazines, as compared with advertising in newspapers.

Mr. HEAPS: Does the passenger traffic show an increase last year as compared with the year before?

Mr. HENRY: I do not believe it does, as a matter of fact.

The CHAIRMAN: We do not always get results from advertising the day you advertise; it is the cumulative effect.

Mr. HENRY: It shows a slight decrease.

Sir HENRY DRAYTON: What was the total of the American tourist traffic coming and going?

Mr. HENRY: I cannot tell you that off-hand.

Sir EUGENE FISKE: I think Sir Henry Thornton told us in the sub-committee that the reason why we are compelled to advertise heavily in the United States is that the province of Quebec, especially, sends representatives to the United States, and they are attracting the tourist traffic, that is, motorists. The Canadian National Railways are obliged to advertise very widely to compete with that competition.

Mr. HENRY: That is substantially correct.

Mr. JOHNSTON: The loss on passenger traffic from the United States may be due to motor bus competition.

Mr. HENRY: There was a decrease of \$200,000. It is a fact that in the State of Michigan, where our lines principally are, there has been a substantial increase in the motor vehicle competition.

Sir HENRY DRAYTON: What we are speaking of now, is the American passenger business.

Mr. HENRY: I am only speaking of the receipts from passenger business on Grand Trunk western lines.

Sir HENRY DRAYTON: American passenger business?

Mr. HENRY: Yes. That advertising is for the purpose of attracting these travellers to Canada.

The CHAIRMAN: The American business is desirable in order to contribute to the business in Canada.

Sir EUGENE Fiset: That is exactly the point. At Montreal, the St. Lawrence special is sent out to connect with the New York train. The summer resorts of the province of Quebec have been filled with American tourists, who have been attracted by that advertising; the same thing applies to New Brunswick and Nova Scotia.

Mr. CLARK: I notice also your advertising in Australia has increased from \$6,000 to \$15,000. What is the object in advertising in Australia?

Sir HENRY DRAYTON: You have taken off boats from that route.

Mr. HENRY: We are re-arranging the service.

Mr. CLARK: But you have no passenger service?

Mr. HENRY: No, it is freight.

Mr. CLARK: You do advertise for freight.

Mr. HENRY: In that case.

Mr. CLARK: In Australia?

Mr. HENRY: In Australia.

Mr. CLARK: You do not do it by canvassers?

Mr. HENRY: Of course, we have an agent there.

Mr. CLARK: Why do you adopt a different policy in regard to Australia than in regard to Canada?

Mr. HENRY: It is really an allocation of the expenditure between "Railway" and "Steamships."

Mr. CLARK: Is it newspaper advertising?

Mr. HENRY: I cannot answer that. If you like I will get the information from Mr. Dalrymple.

Mr. JELLIFF: You advertise in certain papers in order to secure business?

Mr. CLARK: Can you tell me who are the directors of the "Crain Printing Company"?

Mr. HENRY: I do not know that I can.

Mr. BELL (Deputy Minister): Rolla L. Crain is the president, I think.

Mr. HEAPS: Have we information here showing how much advertising is paid for in cash, and how much by transportation?

Mr. HENRY: There is \$254,000 paid in transportation, and \$68,000 in cash.

Mr. HEAPS: That is for the Dominion of Canada?

Mr. HENRY: Yes.

Mr. CLARK: How is it that some papers do not take any of their advertising in transportation, and others take very, very large sums in transportation.

Mr. HENRY: I do not know that I can answer that, General Clark.

Sir EUGENE Fiset: It is because the small country town newspapers do not know that.

Mr. CLARK: I am comparing large papers with large papers.

Mr. HEAPS: Does Mr. Henry, or the officials think that amount which is spent in advertising is justified by the results?

Mr. HENRY: That is the opinion of our officers.

The CHAIRMAN: You cannot figure it accurately at all.

Sir HENRY DRAYTON: You cannot get at it one way or the other. Personally, I do not think that the government railway has as much necessity to advertise as a private railway; for this reason, business, as a rule, is not got from advertising—I am speaking of the freight business. The real object of private companies advertising is to get hold of the public, to get their sympathy, that sort of thing. It is really propaganda for them. The government railways need not worry about what the legislatures are going to do to them.

Mr. HEAPS: At the same time, if one private company is advertising for business, I believe the public utility has to follow suit.

Sir HENRY DRAYTON: To a certain extent, but nothing like to the same extent. What the railway companies want is the freight business.

Sir EUGENE Fiset: The bulk of the advertising is schedules of trains.

The CHAIRMAN: They advertise tourist trips.

Mr. JELLIFF: Are the Canadian National Railways spending as much on advertising as the C.P.R.?

Mr. HENRY: I do not know what the C.P.R. is spending.

Mr. BELL (Deputy Minister): The information that we have from our advertising department is that the Canadian Pacific Railway spends more than the Canadian National Railways. Whether or not that is right, I do not know.

Sir HENRY DRAYTON: A great deal of the advertising done by the C.P.R. is in connection with the fleets and overseas business. All the marine companies advertise a great deal.

The CHAIRMAN: I think there is this to be said too, the C.P.R. is the older company, and much better known than the Canadian National Railways. The Canadian National Railways must make themselves known.

Is there anything more in regard to advertising, General Clark?

Mr. CLARK: No.

The CHAIRMAN: Are we ready for the question? The motion is that item 372 of the estimates be recommended to the House.

It is moved by Mr. Power and seconded by Mr. Heaps, that item 372 of the estimates be recommended to the House.

Carried.

Sir HENRY DRAYTON: Mr. Robb, in the House the other day, gave us figures. I want to see if the figures agree, in regard to the amount paid out in connection with the Rouyn railway, as a result of the winter's operations. Mr. Henry, are you familiar with that?

Mr. HENRY: I have not the figures with me.

Mr. BELL (Deputy Minister): That was in answer to information obtained from Montreal.

Sir HENRY DRAYTON: I understand the whole interest in the Rouyn railway is under the control of the Canadian National Railways. Is that correct, or is there any outstanding interest at all?

Mr. BELL (Deputy Minister): That is correct, with the exception that a few shares are held by qualifying directors, which are held in trust.

Sir HENRY DRAYTON: The government will have to consider any possible difficulties that may arise in regard to the Rouyn railway, because the Canadian National Railways have it all. I suppose there is no remuneration paid to the special directors?

Mr. BELL (Deputy Minister): Provision is made for that expenditure; it cannot exceed \$1,000.

Sir HENRY DRAYTON: Is there anything for those directors to do?

Mr. HENRY: They hold the ordinary meetings; there are formal meetings to be held.

Sir HENRY DRAYTON: I suppose they all get passes over the system?

Mr. HENRY: I do not know.

Mr. JELLIFF: I was going to ask, in the course of our proceedings, has a statement been filed about branch line construction?

Mr. BELL (Deputy Minister): Yes, that is in the hands of the Committee.

Mr. JELLIFF: Is it in our record here?

Mr. BELL (Deputy Minister): No, it was laid on the table of the House. It was to be brought down ten days after the opening of Parliament, and that was done.

Mr. JELLIFF: I wish we could have that statement in our records here.

The CHAIRMAN: We still have to present a final report to the House. We should appoint a sub-committee to draft a report, which will then be submitted to the Committee as a whole.

Mr. JOHNSTON: I move that the Chairman, Sir Henry Drayton and Mr. Jelliff be appointed a sub-committee.

The CHAIRMAN: What is your pleasure?

Motion agreed to.

The CHAIRMAN: We wish to have Mr. Henry collaborate with us in the preparation of the report. Is it the desire of the Committee to meet at the call of the Chairman, to deal with the final report?

Hon. MEMBERS: Yes.

Question asked by General Clark, June 16th, 1926:

Q. What is the difference in the rate on grain from Edmonton to Vancouver and from Edmonton to Port Arthur?—A. The rates on wheat from Edmonton to Vancouver and from Edmonton to Port Arthur are as follows:

Edmonton to Vancouver—21 cents per 100 pounds.
Edmonton to Port Arthur—26 cents per 100 pounds.

Revenue ton Mileage		
Item		1925
Grain—Fort William		3,932,772,115
Grain—Vancouver		422,850,100
Operating Revenues		
	Amount	Per ton Mile
		Mills
Grain—Fort William	\$ 20,130,329	5.15
Grain—Vancouver	2,287,042	5.43

The CHAIRMAN (Upon motion to adjourn having been carried): This Committee stands adjourned on the call of the Chairman.

The Committee adjourned.

SESSION 1926
HOUSE OF *COMMONS

SELECT STANDING COMMITTEE
ON
RAILWAYS AND SHIPPING

MINUTES OF PROCEEDINGS—REPORTS

No. 14—JUNE 22, 1926

OTTAWA
F. A. ACLAND
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
1926

REPORTS

HOUSE OF COMMONS,

WEDNESDAY, May 26, 1926.

First Report: Mr. Euler, from the Select Standing Committee on Railways and Shipping owned, operated and controlled by the Government, presented the First Report of the said Committee, which is as follows:—

Your Committee recommends that its minutes of proceedings and evidence be printed from day to day for the use of the members of the Committee and of the House and that Rule 74 be suspended in reference thereto.

Second Report: Mr. Euler, from the Select Standing Committee on Railways and Shipping owned, operated and controlled by the Government, presented the Second Report of the said Committee, which is as follows:—

Your Committee recommends that it be granted leave to sit while the House is in session.

Concurrence: On motion of Mr. Euler, the First and Second Reports of the Select Standing Committee on Railways and Shipping owned, operated and controlled by the Government, were concurred in.

FRIDAY, May 28, 1926.

Third Report: Mr. Euler, from the Select Standing Committee on Railways and Shipping owned, operated and controlled by the Government, presented the Third Report of the said Committee, which is as follows:—

The attention of your Committee having been drawn to the omission of the interim supply voted by Parliament during the present Session, of any part of Items 372 and 373, of the Estimates 1926-27 respecting loans to the Canadian National Railway and the Canadian Government Merchant Marine, Limited;

Your Committee therefore recommends that Parliament grant as interim supply the sum of \$10,000,000 of the said Item 372 and the sum of \$200,000 of the said Item 373.

MONDAY, June 14, 1926.

On motion of Mr. Euler, the Third Report of the Select Standing Committee on Railways and Shipping owned, operated and controlled by the Government, was referred to the Committee of Supply.

MINUTES OF PROCEEDINGS

HOUSE OF COMMONS,

TUESDAY, June 22, 1926.

The meeting came to order at 11 a.m., Mr. Euler, the chairman, presiding.

Members present: Messrs. Dunning, Euler, Harris, Fiset, Jelliff, Johnston, Power.

Mr. Euler, chairman of the sub-committee appointed to draft the final report of the committee, reported that the sub-committee had prepared and unanimously adopted a draft report, which was thereupon submitted to the committee and taken under consideration.

On motion by Mr. Harris, seconded by Mr. Johnson, the Fourth and Final Report of the committee, as received from the sub-committee and in committee amended, was thereupon adopted unanimously.

The chairman was thereupon instructed to present the said Report to the House, forthwith.

(Report was duly presented on June 22, 1926.)

The committee adjourned.

A. A. FRASER,
Clerk of the Committee.



FOURTH AND FINAL REPORT

TUESDAY, June 22, 1926.

The Select Standing Committee on Railways and Shipping owned, operated and controlled by the Government, begs leave to present the following as its Fourth and Final Report.

Your Committee to which was referred for consideration and for report to the House the Estimates of the Canadian National Railways and the Canadian Government Merchant Marine, Limited, held fourteen meetings, in the course of which it examined sundry witnesses, including:—

Sir HENRY THORNTON, K.B.E., President and Chairman of the Board, C.N.R.

Major GRAHAM A. BELL, C.M.G., Deputy Minister of Railways and Canals.

GERARD RUEL, K.C., Vice-President of Legal Affairs, C.N.R.

D. J. McDUGALD, Director, Canadian National Railways.

S. J. HUNGERFORD, Vice-President, Operation and Construction Departments, C.N.R.

J. E. DALRYMPLE, Vice-President, Traffic and Express Departments, C.N.R.

R. C. VAUGHAN, Vice-President, Purchases and Stores Departments, C.N.R.

A. E. WARREN, General Manager, Central Region, C.N.R.

R. A. C. HENRY, Director, Bureau of Economics, C.N.R.

R. B. TEAKLE, General Manager, Canadian Government Merchant Marine, Limited.

C. B. BROWN, Chief Engineer, Operation Department, C.N.R.

T. H. COOPER, General Auditor, C.N.R.

Dr. W. J. BLACK, Director of Colonization, Agriculture and Natural Resources, C.N.R.

J. P. DOHERTY, Traffic Manager, Canadian Government Merchant Marine, Limited.

R. L. FAIRBAIRN, Manager, Passenger Service Bureau, C.N.R.

D. O. WOOD, Traffic Manager, Foreign Freight Department, C.N.R.

C. MANNING, Assistant to Vice-President, Colonization, Telegraph, Lands and Insurance Departments, C.N.R.

F. DAVIDSON, Auditor, Canadian Government Merchant Marine, Limited.

R. H. FRASER, Right of Way Agent, Department of Railways and Canals.

H. A. PALMER, Regional Right of Way Agent, C.N.R.

BERT GRANT, of Toronto, Ont., Builder.

CANADIAN GOVERNMENT MERCHANT MARINE

Your Committee has had under consideration Item 373 of the Estimates, which provides for a loan of \$600,000 to the Canadian Government Merchant Marine, Limited, and has in the course of its deliberations examined the operating statements of the company for the year ending December 31, 1925. Your Committee notes that the net results from operations have improved to the extent of \$492,826 during 1925, as compared with 1924; and it is recalled that the improvement in 1924, in comparison with 1923, was \$423,412.

Your Committee is also impressed with the conviction expressed by the President of the Canadian National Railways that during the year 1926 the position of the Canadian Government Merchant Marine will be still further improved, and is also gratified to learn that the net result of the operations for the first five months of the present year is an operating profit of \$62,000 as compared with an operating deficit for the same period last year of \$593,000.

From the evidence adduced it is interesting to note that the improvement in the results of the operations during the year, due to the rearrangement of services, amounted to \$207,000.

Your Committee reviewed in considerable detail the negotiations leading up to the sale of fifteen vessels comprising part of the fleet of the Canadian Government Merchant Marine which were not suitable for any of the services being operated, and is of the opinion that every reasonable precaution was taken to obtain the best possible prices for such vessels.

Your Committee is accordingly unanimously of the opinion that the amount asked for for the coming year, namely, \$600,000, should be passed by the House.

CANADIAN NATIONAL RAILWAYS

Your Committee has also had under consideration Item 372 of the Estimates which provides for loans or guarantees of \$31,000,000 to the Canadian National Railways for the fiscal year ending March 31, 1927, and has in the course of its deliberations examined the operating statements of the company for the year ending December 31, 1925.

The Committee notes that by reason of an improvement in the operating results for the fiscal year ending March 31, 1926, over that contemplated when the estimate of \$50,000,000 for last year was under consideration, the financial requirements of the railway were reduced from \$50,000,000 to \$25,722,101.80 and that such requirements, with the exception of \$10,000,000 advanced by the Government in cash during the year, were met by the railway partly through a reduction in materials and supplies on hand and partly from working capital and by improved operating methods, resulting in marked economies.

Considerable evidence was adduced relating to the activities of the Canadian National Railways in regard to immigration and colonization and your Committee is pleased to note that during the past year an arrangement has been effected between the Government and the Canadian National Railways in conjunction with the Canadian Pacific Railway to eliminate overlapping in immigration activities.

Your Committee calls attention to the fact that expenditures on equipment during the past year have continued at a moderate figure and to the statement of the President that only moderate outlays for freight and passenger equipment are expected for some time.

Your Committee also draws attention to the fact that during the past year the company has been carefully investigating the growing competition of the motor bus and the motor truck and expects shortly to develop some means of effectively meeting the conditions arising in connection with this competition.

Your Committee in its previous report referred to the question of taxation and is pleased to note from the evidence adduced that considerable progress has been made towards the development of a basis of taxation in conjunction with the various Provincial Governments throughout the Dominion which will remove the discrimination referred to in the Committee's final report last year.

From the evidence given, your Committee is of the opinion that the amount of \$31,000,000 is necessary for the purposes of the company during the coming year and should be passed by the House.

Your Committee notes with satisfaction that the Canadian National Railways continues to hold the confidence and goodwill of the public through the excellence of the services rendered and the courtesy extended to patrons.

Your Committee further desires to express its appreciation of the manner in which the President of the Canadian National Railways and the Officers assisting him gave their evidence to the Committee.

A copy is attached hereto of the Minutes of the Proceedings and Evidence, with certain statements requested of the attending Officers, which have been printed with the evidence.

Your Committee further recommends that its proceedings and the evidence given before the Committee be printed as an appendix to the Journals of the House and that Rule 74 in respect hereto be suspended.







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